

FINANCIAL TIMES



Economic sanctions

How to make them work in Iraq

Edward Mortimer, Page 12



Intranets

Part of the fabric at GlaxoWellcome

Technology, Page 10

EU trade policy

Trying to speak with one voice

Page 8



Turkey

Islamists terrorise the campus

Page 3

Boeing seeks to shed US image with foreign links

Boeing wants to forge links with non-US companies in a drive to rid itself of its all-American image chairman Philip Condit said. He would like the aircraft maker to follow the example of the oil companies British Petroleum and Royal Dutch/Shell, which managed to present themselves as local organisations in the countries in which they operated. Boeing would have to become a global business if it was to remain successful, he added. Page 14

Socialist prime minister for Albania: Albania's embattled President Sali Berisha appointed a prime minister from the opposition Socialist party in an attempt to contain insurrection in the south which is spreading towards the capital Tirana. Page 2

US backs Turkey's EU hopes: Carey Cavazough, US troubleshooter on Greek-Turkish issues, urged European allies not to slam the door on Turkey's aspiration to join the European Union. Page 3

Telkom targets high spenders: German telecommunications group Deutsche Telekom launched a "VIP" service for high-spending private customers it expects to be targeted by competitors when the German market is liberalised next year. Page 15

Changes at the top for Thomson: The French government reshuffled top executives at the state-controlled Thomson group to steer the sell-off of its Thomson Multimedia arm and speed the sale of the Thomson-CSF defence company. Page 15

When I'm 54: McCartney at the Palace



Ex-Beatle Sir Paul McCartney (left) seen outside Buckingham Palace in London after receiving his knighthood from Queen Elizabeth II. Sir Paul, 54, waved to fans, some of whom had been waiting at the palace gates since dawn. He said he never dreamt, back in the days of playing at Liverpool's Cavern club and in Hamburg, that he would receive a knighthood. "It would have been seen as a joke," he said. "It's fantastic. This is one of the best days of my life."

Adidas 28% ahead: German sportswear group Adidas underlined its return from a financial slump with a 28 per cent rise in annual net profits to DM314m (\$185.7m), driven by a 34.5 per cent rise in sales. Page 15

Jackson takes battle to Wall Street: The Rev Jesse Jackson took his fight for racial equality in US corporations to the heart of the corporate establishment when his Rainbow/Push Coalition opened a bureau on Wall Street. Page 6

Zaire diamond chief may help rebels: The head of Zaire's state-controlled diamond mining company, a big source of funds for the Kinshasa government, is ready to collaborate with rebels poised to move into the country's mineral-rich east Kasai province. Page 14

Blast may hit Tokyo's nuclear plans: An explosion at a nuclear fuel reprocessing plant near Tokyo, Japan's second nuclear accident in two years, is likely to add to growing resistance to nuclear power. Page 4

Strike to hit Japanese ports: Japanese shipping companies face a 24-hour strike today by workers at about 50 ports throughout the country. Page 8

Eurostar train hits lorry: A Eurostar high speed train from Brussels bound for London hit a lorry at a level crossing in Belgium. The 107 passengers were taken by coach to Lille, where they boarded another Eurostar train. No one was hurt.

Spanish treasure ship found: A Spanish galleon that sank with a treasure of plundered gold in 1645 off Ecuador, has been found. Its cargo, valued at up to \$50m (\$8.2bn), will be split equally between the government of Ecuador and the international group which found the ship.

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STOCK MARKET INDICES	
New York: Dow Jones Ind. Ave.	7074.30 (+5.0)
NASDAQ Composite	1220.25 (+2.4)
Europe and Far East	
FTSE 100	2886.15 (+23.0)
DAX	3480.59 (+24.5)
FTSE 100	4444.3 (+6.9)
Nikkei	15,287.72 (+153.8)

US LUNCHTIME RATES	
Federal Funds	5.75%
3-mth Treas. Bill	5.180%
Long Bond	5.75%
Yield	5.54%

OTHER RATES	
UK 3-mo Interbank	5.5%
UK 10 y Govt	10.1%
France 10 y Govt	10.75%
Germany 10 y Govt	10.24%
Japan 10 y Govt	10.450%

NORTH SEA OIL (August)	
Brent Dated	\$18.53 (18.08)
Brent 2-27/27	(2.7283)

GOLD	
New York: Comex	355.47 (352.7)
London: Gold	355.15 (349.95)

DOLLAR	
New York: Deutsche	1.6052 (1.6019)
DM	1.7052 (1.7032)
DM	5.7406 (5.7445)
DM	1.4747 (1.4723)
DM	1.2185 (1.2168)
Tokyo close	¥121.41

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New line-up due in a week ■ Only PM and his deputy assured of jobs

Yeltsin demands clear-out of cabinet

By Chrystia Freeland in Moscow

In a robust display of presidential authority, Mr Boris Yeltsin, the Russian president, yesterday ordered a clean sweep of his cabinet, leaving only Mr Viktor Chernomyrdin, the prime minister, and Mr Anatoly Chubais, his first deputy, securely in place. The bold move suggests that after a lacklustre year dominated by Mr Yeltsin's illness and presidential elections, the Kremlin has again taken the decision to embark upon radical economic reforms.

In a presidential decree Mr Yeltsin gave the prime minister one week to propose a new cabinet line-up, though he did not formally sack all sitting ministers. However, the order made clear that only Mr Chernomyrdin and Mr Chubais, a talented administrator whose power was enhanced by the Kremlin's move, were certain to remain in place.

Mr Yeltsin also ordered a sharp streamlining of Russia's bloated cabinet, reducing the

number of deputy prime ministers and abolishing some ministries inherited from the era of Soviet central planning.

Mr Boris Berezovsky, deputy head of the security council and one of the country's most influential financiers-turned-politicians, said the ministers of finance, defence, energy and railways were among those most likely to be sacked.

Mr Grigory Yavlinsky, leader of the liberal Yabloko opposition party, said in an interview that Mr Chubais had invited five members of his party to join the new cabinet. But Mr Yavlinsky said Yabloko's assent would depend on whether Mr Chubais agreed to a number of steps laid out in a letter he sent to the deputy prime minister this week. These include the sacking of corrupt officials.

Mr Chernomyrdin said the president, who is expected to take all final decisions about the new cabinet, was likely to announce his new government by the end of the week.

Mr Chubais, back to the heart of the Russian government after being humiliatingly

sacked just over a year ago, will be a central and controversial figure in the reshuffle. He is now subordinate only to the president and practically on a par with the prime minister. He is expected to bring some of his intensely loyal protégés into key economic posts. Reformers bopha that Mr Chubais and his allies will have the organisational muscle and ideological commitment to tackle the country's deep-seated structural economic challenges. These problems, which include a hugely unrealistic budget and a collapsing pensions system, have hampered growth and caused tremen-

dous personal suffering for millions of Russians who have gone for months without wages or pensions. Mr Chubais's new prominence could arouse the enmity of Mr Chernomyrdin, a hardened political survivor with strong connections to the influential oil and gas lobby. But the president may deliberately be setting up the rivalry - he is famed for playing factions against each other. Mr Yeltsin acted yesterday to weaken another rival power centre by appointing Mr Valentin Yumashev, a relatively junior figure, as his chief of staff. Over the past few months the presidential

administration, then headed by the formidable Mr Chubais, had become, in the view of some observers, an alternative government. Under Mr Yumashev, a former journalist and presidential ghostwriter, its power is likely to wane. Mr Yeltsin has cunningly neutralised another potential source of opposition - the Communist dominated parliament. Parliament must approve the appointment of a new prime minister but this week's radical shuffle does not require legislative consent.

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Boris Yeltsin meets Israeli prime minister Benjamin Netanyahu in Moscow yesterday. Picture: Reuters

Clinton calls for free air time during campaigns

By Patti Waldmeir in Washington

President Bill Clinton yesterday sought to deflect the growing controversy over election campaign fundraising by calling on US broadcasters to provide free air time for political advertising.

"Free air time for candidates can help to free our democracy from the grip of big money," Mr Clinton told a conference of campaign finance reformers.

Political broadcasters at no cost to candidates - which were pioneered on a limited basis in the 1996 election - would reduce the cost of campaigns and diminish the role of money in politics, he said. Yesterday's announcement appears to be part of an attempt by the White House to take the offensive on the campaign finance issue. Mr Clinton yesterday called on the public not to "wallow" in the controversy, but to use it as a spur for legislative reform. However, both political parties are blocking reform in Congress.

The president has been on the defensive for weeks against charges that he went to improper lengths to fund a re-election campaign based largely on television advertising. Yesterday he blamed the television industry for the rising cost of campaigns, noting that candidates spent \$400m on broadcast advertisements in 1996, up from \$25m in 1992. Presidential candidates spend two-thirds of their campaign money on broadcast advertisements, he said.

During the last two months of the 1996 campaign, five big US networks donated air time to political candidates for the first time.

Mr Clinton yesterday called on the Federal Communications Commission, the US communications watchdog, to make free air time mandatory for broadcasters who receive new digital licences.

He gave no details but conference organisers are calling for TV and radio stations to

Continued on Page 14

Tokyo takes another stride toward 'big bang'

By William Dawkins in Tokyo

Japan yesterday took a big step towards modernising its financial markets. The cabinet adopted plans to permit the establishment of holding companies, set up a financial watchdog and grant more autonomy to the central bank. The highest reform of Japan's outdated financial system in more than half a century is expected to win parliamentary approval in June. A fourth proposal - to abandon the significant residue of foreign exchange controls - was rubber-stamped by the cabinet last week. It is also expected to win parliamentary approval. The package marks the start

of implementing "big bang" financial deregulation, intended to boost the sophistication and size of Tokyo's capital markets to rival those of New York and London by 2001. Awaiting are the wider "big bang" proposals to introduce freely negotiated commissions for all kinds of financial transactions, and allow banks, stockbrokers and insurance companies to enter each other's hush sectors.

The scheme took the finance ministry and Japanese financial community by surprise when announced by Mr Ryutaro Hashimoto, the prime minister, in November. But it has gathered so much support that the once-cautious ruling Liberal Democratic party

(LDP) is calling for full implementation by next year. It also marks significantly reduced influence for the finance ministry, which has been locked in a power struggle with the LDP.

Yesterday's bolding company proposal would eliminate a ban more than 50 years old, originally intended to stop the revival of pre-war industrial monopolies. It would automatically permit the creation of holding companies with assets of up to ¥15,000bn (\$124bn), above which government approval would be required. It would pave the way for the break-up of Nippon Telegraph and Telephone, the country's dominant telecommunications group,

into a holding company with one long-distance and two regional units. Such a split is the main part of the government's attempt to promote competition in telecoms to correct Japan's late entry into Internet-based businesses.

The financial watchdog would license and inspect all financial institutions, a job now carried out mainly by the finance ministry - widely blamed for mismanaging a series of financial scandals -

plus the ministries of trade and agriculture. It would come under the wing of the prime minister, a mark of Mr Hashimoto's wish to accord the highest political support for tough financial policing.

The finance ministry's power would be further reduced by the Bank of Japan's greater autonomy. For the first time, the BOJ will not be obliged to have a ministry representative at meetings deciding monetary policy.

SBC Warburg probed over sale of European shares

By William Lewis and Samer Iskander in London

SBC Warburg, the investment bank, is being investigated by the Securities and Futures Authority, the UK securities industry regulator, over its apparent mishandling of the sale of £300m (\$48m) of European shares for an investment trust, which is believed to have resulted in a multi-million pound loss for the investment bank.

Mr Peter Corrigan has resigned as head of French equities and an equity derivatives trader has also left his job. Several other SBC Warburg executives have been disciplined following an inquiry by the investment bank's compliance officials.

The SFA investigation is focusing on how the prices of several European shares fell sharply last October when SBC Warburg executed a series of share sales on behalf of Kleinwort European Privatisation Investment Trust. SBC Warburg was commis-

sioned by Kepit to carry out a so-called programme trade, which is now in liquidation. At the end of October SBC Warburg agreed to take on to its books £300m-worth of European shares which it then sought to sell immediately into the market. However, a mistake by an SBC Warburg trader is thought to have triggered the collapse in the price of several shares and resulted in the SFA investigation.

The SFA is also thought to be investigating the extent of SBC Warburg's own holding of Kepit shares. Its traders are thought to have held a large arbitrage position in the investment trust.

Swiss Bank Corporation, the parent of SBC Warburg, which is today publishing its year-end financial results, refused to comment. The SFA did not return phone calls. An SFA document seen by the Financial Times states that the regulator is investigating "the activities of Swiss Bank Corporation and its employees in relation to the acquisition of

stocks sold by the Kepit plc and any matters arising therefrom".

Under the terms of the trade, SBC Warburg was commissioned to take on £300m-worth of shares held by Kepit at 12.30pm on October 30.

In the few minutes prior to 12.30pm its traders sought to sell into the market the same shares they were about to get from Kepit - a practice known as going short. However, investigators have been told a Paris-based trader put in a very large order almost exactly at 12.30pm. Typically a trader sells a large block of shares in parcels over a longer period. The action is thought to have effectively frozen computers.

Investigators have also been told that the mistake became known to SBC Warburg executives almost immediately and promptly informed Kepit.

DIVESTITURE OF STATE-OWNED ENTERPRISES

LIST OF AUTHORISED DIVESTITURES - AUGUST 1 - DECEMBER 31, 1996

ENTERPRISE	MODE	NAME OF INVESTOR	PURCHASE PRICE	AMOUNT PAID	BALANCE	REMARKS
1. CNIC - Metal Works	Outright Purchase	AEL Engineering Ltd.	480,000,000	420,000,000	60,000,000	
2. Telecom Italia	Outright Purchase	Archibut Co - Partners	420,000,000	120,000,000	300,000,000	
3. CNIC Properties (39 Units)	Outright Purchase	Vedeco	420,000,000	194,700,000	225,300,000	
4. Akiba Motors & Tyres - Rubber Plantation	Outright Purchase	Rubber Seals Co. Ltd.	210,000,000	45,000,000	165,000,000	
5. Ghana Property Services Estate	Outright Purchase	NICO Trading Company	45,000,000	45,000,000	0	
6. Ghana Publishing Corp. (14 Residential Units)	Outright Purchase	Vedeco	225,500,000	0	225,500,000	
7. GHOC Quarry Wood	Outright Purchase	Alisque Link Limited	155,350,000	155,350,000	0	Payment includes a set-off of payment due to Alisque Link
8. Donoso Garment Factory	Outright Purchase	Pharmacia Industries	400,000,000	400,000,000	0	Re-Divestment
9. SEC Cables Ltd. (Old Dohla)	Outright Purchase	Vedeco	257,250,000	127,810,000	129,440,000	
10. Ghana Motors Co.	Joint Venture	Maraboni Corporation	US\$2,700,000	0	US\$2,700,000	GOG Retains 25%
11. NTC Properties - Head Office	Outright Purchase	Dalsani Industries	US\$1,100,000	US\$200,000	US\$900,000	
12. Tansa Shipyard & Drydock Corp. Joint Venture	Outright Purchase	FSC Tansa Shipyard Ltd.	US\$4,200,000	US\$2,100,000	US\$2,100,000	GOG Retains 40%
13. Ghana Film Industry Corp.	Joint Venture	GAMA Film Co. Ltd.	US\$1,400,000	US\$1,400,000	0	GOG Retains 30%
14. Maraboni Hotel	Outright Purchase	Octoglow SMD NED	US\$250,000	US\$250,000	0	
15. PFC Fertiliser	Outright Purchase	Koba Consult	45,000,000	45,000,000	0	
16. Ghana Veterinary Services	Outright Purchase	Kwame Aducci	470,000,000	170,000,000	300,000,000	Only movable assets were sold

THE LIST REPRESENTS DIVESTITURES AUTHORISED BY THE PRESIDENT DURING THE PERIOD AUGUST 1 - DECEMBER 31, 1996

ISSUED BY DIVESTITURE IMPLEMENTATION COMMITTEE - P.O. BOX 6182, GANTINGHOTO - ACCRA, GHANA

Reshuffle confirms Russian president wants more direct personal control of events

Yeltsin shows he is back in charge

By John Thornhill
in Moscow

Mr Boris Yeltsin, Russia's president, has long loved the dramatic gesture. Yet the decision to reshuffle his entire government, save for its two most senior ministers, counts as an extravagant piece of political theatre even by his own idiosyncratic standards.

The move is clearly designed to show Mr Yeltsin is back in charge in the Kremlin after months of shuffling between the hospital and the sanatorium.

The appointment of the relatively low-profile Mr Valentin Yumashev as head of his presidential administration confirms the view that Mr Yeltsin wants more direct personal control of events.

The need for political action is clear and urgent. Since Mr Yeltsin's re-election in July, Mr Viktor Chernomyrdin's government has been drifting with little sense of purpose, passing a wildly unrealistic budget, and allowing economic decisions to be deferred.

Such is the disorder in public finances that millions of federal employees and pensioners have remained unpaid for months, while schools, hospitals, military installations and nuclear power plants have been starved of funds. The union



CHERNOMYRDIN: in power for four years, remains PM. He helped run Russia in Yeltsin's absence but some consider him an impediment to structural reform



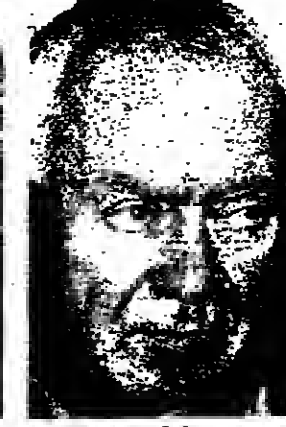
CHUBAIS: first deputy prime minister, a liberal economist sacked from the same post last year. Now charged with the task of reviving reform



PRIMAKOV: as foreign minister will lead the Kremlin's diplomatic fight against Nato expansion. Expected to stay on in the next government



LIVSHITS: finance minister, proved ineffectual in raising tax revenues, damaging Russia's relations with the International Monetary Fund. Not expected to stay



RODIONOV: defence minister. Last year took control over armed forces battered by scandals and humiliated in Chechnya. He is not expected to stay

movement is promising a day of protests for March 27 which even Mr Yeltsin concedes is quite legitimate.

"The people are running out of patience," Mr Yeltsin concluded in his state of the nation address last week.

The implicit promise now is that Mr Anatoly Chubais, former head of presidential administration who has been appointed first deputy prime minister, will have the backing to initiate another burst of radical economic reform.

The tax regime, pension system, housing market and the military are all desperately in need of reform, while the grip of Russia's

mighty "natural monopolies", such as gas, electricity, and railways, must be loosened.

Mr Chernomyrdin remains prime minister, but Mr Chubais appears in practice to have an almost free hand to form a new cabinet and has already been trying to attract fresh blood from the ranks of the liberal Yabloko party and the reformist regional governors.

Russia's capital markets are in a barely concealed state of euphoria about the possible return of the "boys in pink trousers", as the early reformers were once called.

Mr Chubais's coterie of bright young associates in the presidential administration, such as Mr Alexei Kudrin, Mr Alexander Kazakov and Mr Maxim Bolko, seem likely to figure prominently in the reformist team. Two deputy economy ministers, Mr Sergei Vasiliev and Mr Yakov Urinsov, are tipped for higher things.

Mr Yegor Gaidar, the former prime minister who launched Russia's market reforms in 1992 and remains a close friend of Mr Chubais, is expected to be an important influence behind the scenes even if he does not resume a ministerial rank.

Mr Chubais, 41, was raised in a different political climate from Mr Chernomyrdin and has contrasting views to those of the prime minister, who is aged 58.

A trained economist, happy with western ways and fluent in English, Mr Chubais is a technocrat who appears to have little time for the back-slapping Soviet-era managers who have peopled Mr Chernomyrdin's government.

Mr Boris Fyodorov, the former finance minister, points out Mr Chubais has changed a great deal from the ideologically driven crusader of the early reform

years who drove through Russia's big privatisation programme. Now, he says, Mr Chubais has the "poison of power in his blood" from his years of negotiating the Kremlin's treacherous corridors and has formed close links with a circle of commercial banks.

"Chubais is very strong and has proved a much better administrator than anybody could have expected," Mr Fyodorov adds. "But he is a different person from two to three years ago. He has steel in his back. He has steel rods put in his back."

Editorial Comment, Page 13

Berisha appoints Socialist PM

By Guy Dinmore in Tirana

Albania's embattled President Sali Berisha yesterday appointed a new prime minister from the opposition Socialist party in an attempt to contain a mass insurrection in the south which is spreading towards the capital, Tirana.

But while political parties wrangled over the composition of a government of "national reconciliation", which will call elections in June, Albanians loyal to Mr Berisha seized weapons from two military arsenals in his northern home town of Tropoje, raising fears of a civil war. It was the first time unrest had been reported in northern Albania.

State television said the new prime minister was Mr Bashkim Fino, the former Socialist mayor of the south-east rebel-held town of Gjirokastra. The more powerful position of interior minister went to Mr Berisha's ruling Democratic party.

Rebels in the south, who have seized control of a third of the country, insist that Mr Berisha resign and have rejected offers of an

amnesty. The fragmented opposition parties in Tirana admit they have little control over the rebels.

Several countries, including Britain, Germany and Italy, advised their nationals to leave Albania as soon as possible. Diplomats feared the crisis was spiralling out of control.

"We political parties are making blab, blab, blab but we are not really representative of the rebels," said Mr Perikli Teta, a former defence minister and leading member of the opposition Democratic Alliance.

Air force pilots at a major base in Kucove said 25 pilots, along with 19 MiG fighter planes, had handed over the airfield and arsenal to rebels after refusing to carry out government orders to "secure" rebels. "We are the revolution. We are the people," one pilot said. The pilots kept guard over their planes and said they did not want to be drawn into war.

Defecting army units have also handed over tanks, heavy weapons and thousands of guns to the rebels. Residents said people had started

looting weapons from Mjekes near Elbasan, Albania's third largest city lying just 55km by road from the capital. The loss of Elbasan, which lies across the north-south ethnic faultline dividing Albania, would be a serious blow to the government.

But more alarming were reports from residents in the far north-east that 9,000 people loyal to Mr Berisha had seized weapons from military depots in Tropoje. They vowed to defend Mr Berisha if needed. One person was wounded in an explosion. Telephone lines to Tropoje were later cut.

Mr Gene Pollo, adviser to the president, accused defecting army officers of having more allegiance to the old Communist party that ruled Albania for 47 years. Diplomats pointed out that conscripts were paid only a few dollars a month and that many had also lost their savings when fraudulent pyramid investment schemes collapsed in January, triggering the mass revolt in the south.

The rebel leader in Gjirokastra is a retired general, Mr Agim Goxhja,

who has organised a defence committee to take weapons from every one under the age of 18 and stop looting of shops and hospitals.

Rebel representatives from the south-west town of Vlora who held talks with the Italian ambassador on a warship in the Adriatic on Monday yesterday denied reports they had signed an agreement to persuade townspeople to hand in their weapons. They told residents they were simply seeking aid for the town, which is running out of food.

Mr Pollo said the president would resign only if the opposition won the parliamentary elections planned for June. Mr Berisha imposed a state of emergency last week and was then appointed by parliament for a second five-year term. His rightwing Democratic party won an overwhelming majority in parliament last May in heavily rigged elections. Western military intervention may be needed to ensure the June elections are carried out fairly and to disarm supporters and opponents of the government, western observers said.

German miners snubbed by Kohl

By Peter Norman in Bonn

Germany's miners have turned the other cheek after being snubbed by Chancellor Helmut Kohl.

Mr Kohl called off planned negotiations with Mr Hans Berger, head of the miners' union IG Bergbau, at short notice yesterday. The chancellor argued that demonstrations by miners near his office would put the government under undue pressure in talks over cuts in subsidies for the coal industry.

In response, Mr Berger appealed to thousands of miners from the Ruhr and Saar coalfields gathered in Bonn to return to their homes to give the talks, rearranged for tomorrow morning, a chance.

For the miners from the Duisburg Walsum colliery Mr Berger's appeal was anything but welcome. "We are here! We are here!" they shouted, before bursting in a robust chant of "Kohl must go. Kohl must go".

But after Mr Oskar Lafontaine, leader of the opposition Social Democratic party, and Mr Joschka Fischer, leader of the Green party in parliament, added their weight to Mr Berger's pleas, most demonstrators started to disperse.

Mr Kohl's action may backfire. The miners' leader urged his members to return to Bonn at midday tomorrow for a demonstration in the event of there being no agreement with the government. He urged them to keep up the protests in their home regions which have brought coal production to a standstill.

Mr Kohl appeared to be influenced by reports of unruliness among protesters who had camped on Bonn's main highway opposite the chancellery since Monday. The demonstrators yesterday showed discipline and good humour.

One protest, in which more than 100 miners stripped down to their underpants and headed towards government buildings to show how Mr Kohl's policies were taking the shirts off their backs, was unconventional by the standards of the German capital.

By calling off the talks, Mr Kohl gave opposition leaders an opportunity to cast doubt on his political courage. "It's hardly a sign of strength," crowed Mr Lafontaine to miners' cheers. However, he and his fellow-speakers were careful not to over-excite the crowd. "Keep cool and don't provoke Fatty in the chancellery," Mr Fischer urged.

Mr Berger said the union was not seeking a total retreat by the government over its plan to cut federal subsidies from DM9bn (\$5bn) to DM3.5bn (\$2.5bn) by the year 2005. "We have always been ready for compromise. We will fight on."

Juppé backs quotas for women candidates

By David Buchan in Paris

Mr Alain Juppé, the French prime minister, yesterday proposed a constitutional amendment to set minimum quotas for women candidates in French elections for a 10-year period.

Opening a National Assembly debate on female representation in politics - the lowest of any European Union country except Greece

Mr Juppé suggested that "incentives to female candidates" be introduced in regional, municipal and European parliament elections contested on a list system. Women could then use this as a political base to "launch" themselves into single candidate contests for the national parliament where quotas were less practical.

Mr Juppé said that, after long consideration, he had concluded that "positive discrimination" in favour of women was now necessary. Behind such consideration is the fact the opposition Socialists have recently decided that one-third of their candidates for next year's National Assembly should be women and a slightly uneasy conscience about his autumn 1996 cabinet reshuffle.

The first Juppé government contained 12 women among 43 ministers, while the second numbers only four women - Ms Corinne Lepage, the environment minister, and three junior ministers - among 32. At the time, Mr Juppé rejected charges of misogyny, explaining the disappearance of so many "Juppettes"

was because he needed to concentrate maximum experience in a tighter government team.

Only one woman, Mrs Edith Cresson, has ever made it to the top, but her 1991 to 1992 spell as prime minister was not rated a success. As Mr Juppé noted, the proportion of women in the National Assembly has gone down from 6 per cent in 1945 - when women got the vote in France - to 5.5 per cent today.

A constitutional amendment, requiring a three-fifths majority of the National Assembly and the Senate, is required to introduce the quotas. In 1982 the constitutional court struck down a Socialist proposal for quotas for women on the ground that it infringed the 1789 declaration of rights giving all



Corinne Lepage: minister in second Juppé government

equal rights. While President Jacques Chirac has left it to his prime minister to woo female voters, he himself spent two hours on national television on Monday night in a quest for the youth vote, much of it devoted to education. Mr Chirac preached the

need to use every technological means to improve the preparation of young people for working life, and in his one concrete proposal, he said he was asking the government to lower value added tax on CD-Roms from the standard 20.5 per cent rate to 5.5 per cent.

France loses battle on clocks change opt-out

By Caroline Southey in Brussels

France yesterday lost the battle for an opt-out from a proposed European Union law on when clocks have to be changed between summer and winter after 13 member states backed plans to harmonise dates for the next four years.

Ministers rejected France's argument that it should be given the right to keep the same time all the year round. The proposed directive sets the last Sunday in March as the day in which EU countries must put their clocks forward by an hour and the last Sunday in October for putting clocks back an hour. Mrs Ann-Marie

Idrac, French secretary of state for transport, argued that there were disadvantages in imposing summer time, particularly for sectors such as agriculture. In addition, changing the clocks had health implications since it could affect sleeping patterns.

"Ministers should take into account quality of life issues and not just look at the technical aspects," a French official said. But the transport ministers rejected France's request on the ground that a unilateral move by one member state could disrupt transport schedules across Europe.

The UK provided France with a measure of support, arguing that it sympathised

with the view that countries should be free to apply their own summer time arrangements. Nevertheless, the UK said it was pleased with the EU dates which matched UK times. Britain tabled an amendment suggesting that the dates be set down in a recommendation - which is not legally binding - rather than a directive.

The French government will now take its battle to the European Parliament which is due to give the directive a second reading. MEPs are sympathetic to the view that the date should be tabled as a recommendation.

However, the proposal will have to return to the council of ministers for a final vote. Editorial Comment, Page 13

EUROPEAN NEWS DIGEST

Boost for EU rail freight

Four EU countries have boosted the European Commission's drive to improve rail freight services by pushing ahead with plans to try out "freight freeways" running from southern to northern Europe.

Italy, Germany, Austria and the Netherlands have agreed to explore the concept before the end of the year on routes running from Italy to the Netherlands and Germany.

Mr Neil Kinnock, European commissioner for transport, has urged member states to collaborate on freight freeways to shift freight traffic off roads. The freeways are designed to overcome two of the biggest problems - cost and time - which have led freight companies to opt for road rather than rail.

Some member states insist on locomotive and staff changes at border crossings. Freight companies have also been put off by complex charging systems designed to take into account different price rates in different member states.

Caroline Southey, Brussels

Euro-rap for Renault

Euro-MPs in Strasbourg are today expected to back a resolution condemning the "arrogance and disdain" shown by Renault in its decision to close the Vitruvius factory in Belgium, and expressing solidarity with the plant's 3,100 workers.

The resolution, proposed jointly by parliament's seven main political groups, also calls for stronger EU rules on worker protection, and for the European Commission to take steps to prevent companies transferring production from one area to another in search of state or EU subsidies.

In Paris thousands of Renault workers from France, Belgium and Spain marched on the company's headquarters in what they called the first "Euro-demonstration" in protest of the plant closure. Some 3,100 jobs will be lost in Belgium and 2,794 in France.

Neil Buckley, Strasbourg, and AP, Paris

Aids charges may be dropped

France's top prosecutor recommended yesterday that charges be dropped against a former French prime minister, Mr Laurent Fabius, and two other officials accused of providing about 1,300 French haemophiliacs with HIV-tainted blood in 1985.

The recommendation by the chief prosecutor, based on what he called lack of evidence, means it is almost certain the three former officials will not be brought to trial.

The charges came amid a scandal that shook confidence in France's public health system and helped bring down the Socialist government in 1993.

About 1,300 haemophiliacs were infected with the virus, which can lead to Aids, and more than 500 have died. Four high-ranking health officials have since been convicted, and two have been jailed.

AP, Paris

French drink sales recovering

French wine and spirits exports, recovering from a trade boycott after nuclear tests in the Pacific, rose 5 per cent in 1996 to FF¥36.2bn (\$6.3bn), industry spokesmen said yesterday.

The industry generated a FF¥32bn trade surplus, a quarter of France's total surplus.

"As far as the trade balance is concerned, we come second behind the French aerospace industry but ahead of the automobile and perfume industries," said Mr Philippe Pascal, president of the French Federation of Wine and Spirits Exporters.

Top clients for French wines and spirits last year were Britain, the US, Germany, Belgium-Luxembourg and Japan.

Reuters, Paris

Italian party funding move

The Italian treasury has finalised details of how to distribute L1,600bn (\$95m) in funds to political parties this year as agreed under controversial legislation passed recently by parliament.

A total of 44 parties and movements have been considered legitimate recipients of public money; 15 of them possess only one member of parliament.

The contributions from taxpayers have been approved despite a 1993 referendum specifically abolishing the public funding of political parties.

The size of the funds handed out is calculated on the basis of parliamentary representation. The largest amount, L30.7bn, will go to the Party of the Democratic Left, the dominant partner in the government. Forza Italia, the main opposition movement, headed by a former premier, Mr Silvio Berlusconi, will receive L20bn, while the rightwing National Alliance of Mr Gianfranco Fini will have L22.5bn.

Robert Graham, Rome

Hungarian farmers protest

Hungarian farmers demonstrated yesterday against tax and social security increases, disrupting traffic in Budapest with processions of tractors. Smaller meetings took place in 150 other locations around the country.

The protests began three weeks ago among the wine-growers of Kiskoros, but it is the first time they have reached the capital. The government is taking a firm line, arguing the need to reduce the budget deficit and the burden of social security contributions on western companies in Hungary.

The farmers also claim that unfair competition from west European imports makes Hungarian agriculture unviable.

■ Hungarian consumer prices rose in February by 2.2 per cent on the month and by 18.3 per cent from February 1996, the Central Statistics Office said yesterday. Hungary's trade deficit in January based on preliminary data was \$344m.

Anatol Lieven, London

ECONOMIC WATCH

Swedish investment up

Industrial investment in Sweden grew by 14 per cent in 1996 to SKr65bn (\$8.5bn), extending a sharp increase under way since the end of a three-year recession in 1993, Statistics Sweden reported yesterday. But the rate of increase is expected to level off this year, with only a small rise expected over 1997.

The trend offered little hope of a significant rise in employment to cut double-digit joblessness - the biggest problem facing the Social Democratic government. Heavy

investment in the pulp and paper and engineering industries over the past four years has not created many jobs. Meanwhile, investment in more labour-intensive service industries has been at a much lower level.

However, a significant increase in investment is due this year in infrastructure on projects such as the extension of mobile telephone networks, the building of a bridge between Denmark and Sweden and a new rail link to Stockholm airport.

Hugh Carnegie, Stockholm

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Blast likely to hit Japan nuclear plans

By William Dawkins in Tokyo

An explosion last night at a nuclear fuel reprocessing plant near Tokyo, Japan's second nuclear accident in two years, is likely to add to the growing popular resistance to nuclear power.

Nobody was injured in the blast, at the low-level waste processing plant at Tokai, 115km north west of Tokyo, but at least 10 workers were exposed to low levels of radioactivity during a fire earlier in the day, said Mr Masato Sukagawa, a spokesman for the state-run Power Reactor and Nuclear Fuel Development Corporation. Nobody appeared to be inside at the time of the explosion, according to initial reports. White smoke was seen emerging from the roof of a vitrification facility for liquid waste.

Ironically, the blast came on the same day that one of the country's leading electricity suppliers, Kyushu Electric Power, scrapped a proposed nuclear power station in an unprecedented response to local objections.

Mr Michisada Kamata, vice-president of KEP, which is the sole power supplier on the southern island of Kyushu, apologised to local citizens for "bothering" them and said the unpopular plan had been sent back to the drawing board.

KEP's move marks an extraordinary break with the post-war Japanese consensus that industry comes before individuals. That unwritten accord was vital for economic expansion but has come under increasing strain with the social and political changes that have accompanied the past six years of slower economic growth. "It is very surprising, but the power of local democracy has become much stronger, especially in relation to sensitive matters like nuclear power," said Mr Yasuhiro Sone, professor of political science at Keio University.

Malaysia plans a capital without paper

By James Kyrie in Kuala Lumpur

Malaysia yesterday unveiled key details of its plans to build a paperless administrative capital in an area currently dominated by palm groves and peaceful villages south of Kuala Lumpur.

The initiative to build Putrajaya, first revealed several years ago, is the country's largest single infrastructure project and is forecast to cost an estimated \$3.5bn (\$500m) by the time all three phases of development are completed in 2005. The city, with a forecast population of 570,000, will nestle within the "multimedia super-corridor", a similarly ambitious plan to construct a 750 sq km high-technology zone housing the world's information technology companies.

Officials said yesterday that contractors must now push ahead quickly, to have facilities ready for Dr Mahathir Mohamad, the prime minister, to take up his new offices in September 1998, in time for the Commonwealth Games, an event Malaysia hopes will be a showcase for its many developments.

Mr Shahrir Sharif, a general manager of Putrajaya Holdings, a state-controlled company, said that most development "parcels" for the new capital have already been awarded. He declined to identify the names of companies awarded contracts, which have been granted without open tenders.

The first undertaking is construction of the prime

KEP started a feasibility study for two pressurised water reactors near Kushima, a small town on Kyushu, five years ago. The plan ran into immediate resistance. A year later, the municipal assembly decreed that referendum would be needed.

Opposition grew even stronger in 1995, after a prototype fast breeder reactor in Monju, west Japan, sprang a leak. While unrelated to the proven technology that was to have been used in KEP's reactors, the Monju accident heightened public concern over nuclear power, likely to be intensified by last night's accident.

KEP froze its Kushima plan in 1995 but its executives continued publicly to argue that Kyushu needed substantial extra power generation and that Kushima was the likeliest site. Deadlock between the company and the townspeople came closer when Kushima's mayor, Mr Shigeru Yamashita, was re-elected four months ago on a pledge to hold a nuclear referendum. Cash for a poll was voted in this year's town budget.

The people of Kushima are not alone in taking on the power companies in recent years. Maki, in western Japan, last year held a referendum, the first of its kind, which voted by a wide margin against a plan by Tokoku Electric Power to build a reactor there. TEP has only frozen but not withdrawn its Maki construction plan.

Government officials yesterday played down the impact on energy policy of Japan's growing anti-nuclear movement. Japan derived 34 per cent of its electricity from nuclear power in the year to March 1996. This is to rise to at least 40 per cent by 2010 - contrary to the trend in western Europe and the US - according to the latest government white paper on nuclear policy.

minister's offices, an sprawling complex of buildings topped by onion domes. The total floor space will be 220,000 sq metres - more than in one of the two Petronas Towers, the world's tallest buildings, which now dominate Kuala Lumpur.

Officials said privately that although the main development contracts have been awarded to Malaysian companies, foreign companies could expect sub-contract work. All government ministries, apart from the ministry of international trade and industry and the ministry of works, are scheduled to move south to Putrajaya after the prime minister is ensconced. The ministries are to be "paperless", communicating with each other and the people by computer, thereby eliminating a labyrinth of documentation.

For foreign embassies, the move raises many questions. Most embassies, believe they must maintain a presence in Kuala Lumpur, which will remain Malaysia's commercial centre. By train, the journey from Kuala Lumpur to Putrajaya is expected to take less than 20 minutes.

Among other recipients of contracts at Putrajaya, according to Mr Shahrir, are Hicom, an industrial conglomerate, which has been appointed responsible for solid waste disposal; Tenaga Nasional, the semi-privatised power utility, which will be in charge of electricity supply; and Telekom Malaysia, the former telecom monopoly, which is to install a telecom infrastructure.

Thai property prices feel the draught

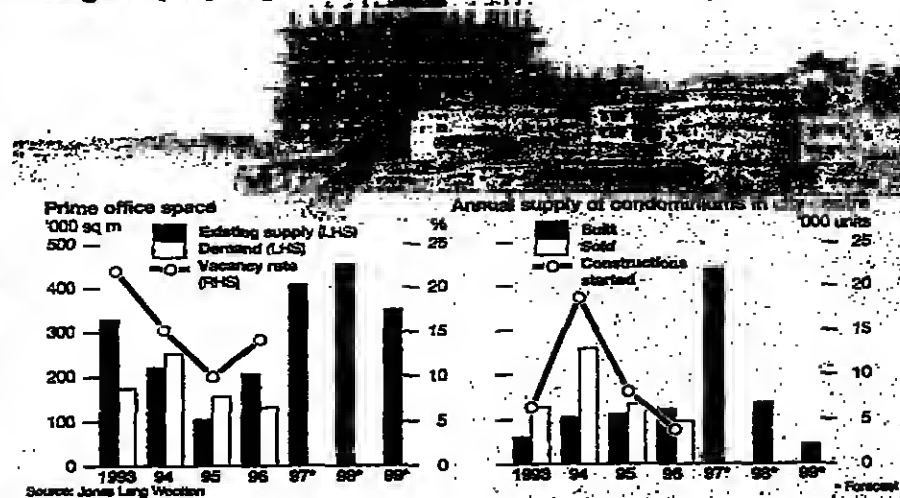
When the owners of a newly built office tower in Bangkok recently slashed maintenance expenses, Ms Nipha Phongphangilwit lost her job as service manager of the half-vacant building. But she appears undeterred by her painful experience with Thailand's growing property glut.

"I might tear down the three houses in the (family) compound and build some condos on the land," she says as she ponders unemployment. "Property seems to be a good investment. It doesn't go up and down so much like the stock market."

Thais such as Ms Nipha are in for a surprise: land values in Thailand have begun to dip, and analysts say all the elements necessary for a sharp and unprecedented decline in property prices - oversupply, cash-strapped developers, pressure from the government and financial institutions - now exist.

The struggling property sector is one of the main reasons the government has had to implement several measures in recent weeks to prevent a financial meltdown. Approximately 10 per cent of all bank loans and 25 per cent of finance company loans are to property developers, and it is estimated that half of those loans are

Bangkok property: house of cards



non-performing. In addition, nearly three-quarters of all loans are collateralised by property.

With high interest rates in place to defend the currency against speculators and a run on some finance company deposits, the financial system can ill afford additional liquidity shortages and asset deterioration caused by a fall in property prices.

The property glut warrants a price decline. Estimates by various government agencies of vacant residential units in Bangkok range from 330,000 to 650,000,

or between 2.75 and 5.4 years of demand even if no new units are built this year.

In the office market, more than 50 per cent of space completed last year has not been let. According to property consultants Jones Lang Wootton, in square metres of new space will be completed annually in each of the next four years but annual absorption of office space is only slightly over half that amount. In central Bangkok alone, the company estimates that by the end of this year almost 30,000 apartment units will remain vacant, equivalent to over

six years of demand.

A \$3.5bn rescue plan for finance companies over-exposed to the property sector was approved by the cabinet yesterday, but is unlikely to provide much comfort.

"The new plan doesn't address the fundamental situation of oversupply or the need to stimulate demand," says Mr Craig Plumb, director of research and consultancy at Jones Lang Wootton. "It's mostly shuffling chairs around to ease the bad debt situation."

Thai officials say the new plan will give developers five years to tackle oversupply.

But while most developers could meet their debt payments by completing and selling their projects, many new projects will inevitably commence: companies have borrowed to purchase vacant land which they now need to develop to generate cash flow. Loans used to purchase undeveloped land are specifically excluded from the bailout scheme.

Apart from land values, which valuers say have fallen by between 15 and 25 per cent over the past 18 months, property prices have remained flat, prompting fears that if a fall comes it will be precipitous. "Lots of developers have money to hold out for a while but there has got to be a point where prices collapse. You only need one panic transaction to start that," says Mr Wapan Wongpanit, property analyst at ING Barings.

"Prices haven't really fallen because market activity has dried up," adds Mr Plumb. "The market here is different from Hong Kong and Singapore, where the markets adjust quickly. Here it's more like Japan, where prices held up until people were forced to sell and then they fell very abruptly."

The weight which may finally drag down property prices could be the government's new bailout scheme, as financial authorities impose harsh conditions on

property companies whose debt they buy.

"Developers will be forced to sell at actual market values," says Ms Duangmanee Vongpradit, central bank spokeswoman. "If we look at the situation realistically, prices have to be lower. We know that at certain prices there will be buyers."

Many analysts say it will be the commercial banks who decide how much prices fall. There remains enough demand to keep developers afloat for several years if their creditors do not exert pressure. But if banks begin foreclosure they risk triggering a reduction in collateral values.

For big conservative banks which employ independent valuers, a drop in property prices should not pose much of a problem. These often set liquidation value of collateral at about 70 per cent of current market value and then lend only 50 per cent of that value.

But medium-size banks which employ independent valuers, a drop in property prices should not pose much of a problem. These often set liquidation value of collateral at about 70 per cent of current market value and then lend only 50 per cent of that value.

Ted Bardacke

Founder of hotel group upset over share purchase

Ethnic Chinese business assailed in Indonesia

By Manuela Saragosa in Jakarta

Simmering anti-ethnic Chinese sentiment between Indonesian business leaders was forced into the open yesterday when the founding family of a listed hotel and restaurant company took the unusual step of condemning the acquisition of shares in the company by the ethnic Chinese owned Lippo group.

The Diah family, which founded Hotel Prapattan, a listed company, announced plans to sell its remaining stake in the hotel developer but was angered by Lippo's acquisition of shares in the company.

The Diahs are known locally as a *pribumi* family (literally "sons of the earth") while Lippo Group's founding shareholders are the ethnic Chinese Ridy family.

"This is bad news," Mr Diah said in a press release. "Politically it is quite sensitive that a business founded by a *pribumi* family be taken over by a conglomerate controlled by non-*pribumi*."

The ethnic Chinese have long been a resented minority in Indonesia, where they constitute less than 2 per cent of the country's 200m population but form a dominant commercial class.

Although *pribumi* businessmen complain privately of the domination of ethnic Chinese conglomerates, they rarely air their grievances. The Diah family's statements come as anti-ethnic Chinese sentiment is running high. Riots on the main island of Java in the past six months have involved Moslem protesters torching Christian churches - Indonesia's ethnic Chinese are mostly Christian - and attacking ethnic Chinese houses and businesses.

Lippo Group would not comment yesterday. The row comes at a time when the Ridy family is undergoing intense scrutiny for the apparent role in controversy surrounding contributions to US President Bill Clinton's Democratic party re-election fund.

The Lippo Group has also recently undergone a controversial restructuring of its financial services division and has flagged its intentions to sell its property units. It has bought a company in Singapore, at a time when there have been grumblings about ethnic Chinese capital being invested offshore, and expanded into retailing in Indonesia.

"James (Ridy, the group's deputy chairman) has a cupful of acquisitions and restructuring to do within his Lippo Group," the Diah family's press release went on to say. "I think he should consolidate them first... and mind his own business."

The Djojobadikusomo patriarch is seen as the architect of President Suharto's New Order economy, while his youngest son General Prabowo is married to Mrs Siti Hediati Prabowo, one of Mr Suharto's daughters.

"It is only natural that we (the Diah family and the Djojobadikusomo family) want to see that the company is in good hands," the press release said. "Being *pribumi* ourselves, we also wish that it will remain so."

Australian 'work for dole' wins go-ahead

By Nikki Tait in Sydney

Australia is to press ahead with a controversial compulsory "work for the dole" scheme - a project which the government claims "will help break the cycle of despair and dependency" that accompanies youth unemployment.

Unemployment in Australia has remained high since the recession in the early 1990s. The jobless rate has failed to fall below 8 per cent and currently stands at 8.8 per cent, with an estimated 800,000 people looking for full or part-time jobs. More than 220,000 people are thought to have been unemployed for more than a year.

The "work for the dole" scheme, first mooted by Mr John Howard, the prime minister, earlier this month, was formally approved by the conservative federal government yesterday. Legislation will be introduced into parliament next week and

the scheme could start to operate by September.

Under the government's proposals, up to 10,000 individuals aged between 18 and 24 will participate in 70 pilot schemes, which are likely to have a "community service" thrust. The scheme envisages that they receive "award" rates of pay, equivalent to their unemployment cheques, for working about two days a week. They will get an additional \$10 (US\$7.50) a week to cover transport and other costs.

The scheme has been attacked by opposition parties as "tokenism" which will do little to resolve Australia's unemployment problem. However, the proposal appears to be popular among the electorate.

The Labor opposition said yesterday that, while it might seek to amend the legislation, it would not attempt to defeat it. "If this is the only proposal they have, we'll improve it as

much as we can, but we will not stand in the way of it," said Mr Bob McMullan, shadow minister for industrial relations.

"We don't like this proposal - it's not the best response to the problem, it's not even the fourth or fifth best response but it seems to be the only response the government's got," he added.

The former Labor government introduced more comprehensive labour market programmes but these were largely unwound by the new government last year as it attempted to find budget savings.

Mr Howard has argued that his government's industrial relations legislation, which was passed late last year and essentially extends labour market deregulation, will help cut unemployment. However, he has also acknowledged that the reforms may take time to work through.

Lee may launch HK court action

By John Ridding in Hong Kong

A legal showdown over Hong Kong's post-handover legislature moved a step closer yesterday after Mr Martin Lee, leader of Hong Kong's largest pro-democracy group, threatened to take the Beijing-backed body to court if it passed laws before July.

The challenge followed a statement on Monday by Sir Chung Sze-yuen, a senior adviser to Mr Tung Chee-hwa, the territory's future leader, who said the provisional legislature could complete readings of bills. Members of the provisional legislature, which will replace the existing elected body after the handover on July 1, said they expected to proceed with work on sensitive laws concerning civil liberties and subversion.

Mr Lee said his party would immediately take the handover legislature to court if it made laws. Other pro-democracy politicians said the reading of bills before July contradicted a pledge made by Mr Qian Qichen, the Chinese foreign minister. Last year, he told Mr Malcolm Rifkind, his UK counterpart, that the provisional legislature would not operate simultaneously with the Legislative Council, elected in 1995 under democratic reforms implemented by Mr Chris Patten, the Hong Kong governor.

The latest step in the controversy over the provisional legislature came amid a move by the Hong Kong government to assist Mr Tung in preparations for his post-handover administration, and a dispute over Beijing's call to revise school textbooks in the territory.

The Hong Kong government said it had agreed to second two senior officials to Mr Tung's office. Mr Michael Suen, home affairs secretary, will take up the post of secretary for policy co-ordination, while Mrs Irene Yau, director of information services, will take the same position in Mr Tung's office. Mr Tung said the additional staffing was necessary to respond to his growing workload.

He dismissed claims that Mr Suen and Mrs Yau would face pressures relating to differences between the present and future administrations, such as their stances on the provisional legislature.

ASIA-PACIFIC NEWS DIGEST

Hanoi tightens Internet curbs

Vietnam, in its first significant step to control access to the Internet, has issued new rules restricting users to one service supplied by the state-run telecommunications company. The move coincides with a clampdown on satellite dish use, with officials set to implement a ban on ordinary Vietnamese using dishes to watch foreign television broadcasts.

The moves are apparently inspired by conservative figures in the military and interior ministry, who are keen to see more controls on information. Diplomats note increased censorship of the local media in recent months.

All Internet service providers must link up to a gate operated by state-controlled Vietnam Posts & Telecommunications. Hanoi is particularly keen to stop its citizens reading a *Internet* pages and web sites set up by overseas Vietnamese groups opposed to the Hanoi government. Vietnam has six Internet providers, including two operated by the military. The civilian networks are small and sustain a subscriber base of only about 1,000 - mostly foreign businesses and non-governmental organisations.

Jeremy Grant, Hanoi

Zhu misses Clarke meeting



Mr Zhu Rongji (pictured left), China's senior vice-premier in charge of the economy and possibly the country's next premier, has entered hospital with severe influenza, according to a European diplomat. Mr Zhu, 68, was scheduled to receive Mr Kenneth Clarke, the UK Chancellor of the Exchequer, in Beijing at the weekend, but did not appear. A Chinese official said that he was indisposed. Mr Zhu did not attend a session on Monday of the National People's Congress, the Chinese parliament. He is a key figure in the Chinese hierarchy and was largely responsible for running an overheating economy in 1993-94, when inflation exceeded 20 per cent.

Tony Walker, Beijing

UK-China finance dialogue

The UK and China have established a mechanism for regular financial dialogue under an understanding reached by Mr Kenneth Clarke, the British Chancellor of the Exchequer, on a visit to Beijing. Mr Clarke said yesterday at the end of a three-day stay that the dialogue would be similar to those the UK conducts with its Group of Seven partners and would complement the existing UK-China Joint Economic and Trade Commission.

Agreement on an expanded financial dialogue follows the signing last year of a memorandum of understanding on securities co-operation which was aimed at consolidating links between London and China's stock exchanges.

Mr Al Gore, the US vice president, will visit China from March 24 to 28, becoming the highest US official to travel to Beijing since the Tiananmen Square massacre by the Chinese army in June 1989. Mr Mike McCurry, the White House spokesman, said Mr Gore would also visit Japan and South Korea.

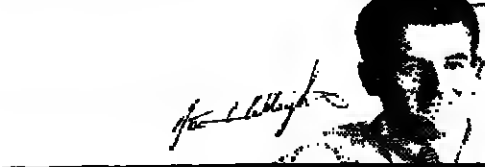
AFP, Washington

Ramos bans film about maid

President Fidel Ramos has suspended the showing of a film about a Filipino maid who escaped execution in the United Arab Emirates, saying it could harm ties with the Gulf state, the government said yesterday. About 50,000 Filipinos are working in the Emirates. Mr Ramos, who is visiting Bahrain, said the showing of the film, "Sarah Balahagan Story", could also endanger negotiations to save the life of another Filipino worker in jail in the UAE for killing a man. The film's producers have issued newspaper advertisements saying the movie would be shown in Manila cinemas starting today.

Reuters, Manila

The bottom line...



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Leave door open to Turkey, US tells EU

By Bruce Clark

Mr Carey Cavanaugh, the US troubleshooter on Greek-Turkish issues, yesterday urged European allies not to slam the door for ever on Turkey's aspiration to join the European Union.

He was speaking in London at the start of a hastily organised tour of European capitals that

reflects US concern over the worsening atmosphere between Ankara and leading EU members.

Chancellor Helmut Kohl of Germany and five other European leaders on the political centre-right agreed at a meeting in Brussels last week that Turkey's poor human rights record, culture and size disqualified it for the EU.

Mr Cavanaugh said comments

like this had led to "growing concern in Ankara that doors may be shut" because of the increasingly open suggestions it might never have the potential to become a member. Washington felt "concerns about the way the EU handles Turkey" and would like Ankara to be offered at least a reasonable prospect of steadily deepening relations with the

European club, he said.

The tour by Mr Cavanaugh, who headed for The Hague last night and will also visit Paris and Bonn, coincides with a formal undertaking by Turkey's foreign ministry to improve the country's human rights record.

"Our goal is to drop the issue of human rights both from the agenda of Turkey and from the

Turkish-EU relationship by the end of the year," said a ministry statement, adding that governors and police chiefs had been told to monitor human rights more closely and stop prisoners being ill-treated.

UK officials said they shared the US feeling that comments at last week's meeting of Christian Democratic leaders had gone too

far in snubbing Turkey, whose wish to join the EU should be "taken seriously" in London's view.

But Britain did not believe the EU should start entry negotiations with Turkey in defiance of the advice of the European Commission, whose most recent pronouncement on Turkey's eligibility, eight years ago, was negative.

Dutch bourse controls criticised

By Gordon Cramb in Amsterdam

Amsterdam bourse authorities failed to exercise adequate supervision over two securities trading houses which collapsed early this decade, according to an investigation by regulators and government consultants whose report the owners of the stock and options exchanges have been seeking to suppress.

The two associations of trading firms which control the newly reconstituted Amsterdam Exchanges (AEX) were said to be angry yesterday after Mr Gerrit Zalm, the finance minister, revealed the main findings of the inquiry into the collapse of Nussli Brink Commissionairs and Regio Effect Holding.

A judge is due to rule on Friday on an injunction sought against Mr Zalm by the associations, which maintain that publication involves the disclosure of information which under European regulatory agreements should remain confidential. The minister, in a letter to the lower house on Monday, said he was releasing the outline conclusions without breaching those requirements, in order to satisfy parliamentary demands for immediate clarification on the outcome.

The inquiry into the Nussli Brink affair, which involved many unrecorded share transactions, is concluding as the exchange associations seek to place half the shares in AEX with institutions and listed companies. A prospectus for the company was issued in February.

Mr Zalm told parliament the report compiled by the STE, the recently strengthened securities regulator, and the accountants Coopers & Lybrand found that the bourse authorities had been insufficiently critical in their assessment of the two trading houses and provided only limited information to the then embryonic STE.

Extremists fight on campus

Islamists seek recruits in Istanbul as left and right do battle

Istanbul University, the alma mater of Turkey's elite, has always been an ideological battleground. But recently, fighting between extreme leftwing and rightwing students has become frequent and bloody. Usually it is the rightwingers - some wielding meat cleavers - who come off better.

Police in riot gear patrol the university's Beyazıt campus, which dates back to Ottoman times, to prevent clashes. But most students and faculty members say police side with the far-right Islamist movement, even helping them smuggle weapons into the university.

The Islamists say faculty members shield leftists. Mr Mehmet Bilent Karatas, Islamist youth leader, has threatened to "take the necessary measures" against Mr Rik Azrak, dean of the official sciences faculty.

The surge in battles between the left and rightwingers back troubling memories of the 1970s, when extremists battled for con-

trol of universities, streets and entire neighbourhoods. The Islamists are direct descendants of the Grey Wolves street fighters, recruited in the 1970s by the far-right Nationalist Action party. Fighting claimed hundreds of lives and contributed to the last military takeover in 1980.

Fears of another coup d'état rose during last month's confrontation between the secularist army and Mr Necmettin Erbakan, the Islamist prime minister. The army threatened unspecified "sanctions" against Mr Erbakan unless he cracked down on Islamist organisations.

According to Mr Ersin Durna, a political sciences student, "the university reflects what is going on in the streets. Turkey is boiling over." Mr Kürsat Karatas, a Marxist student, contends: "This is not a free democratic society. We want to be the spear for the people to rise up. If we stay silent, everyone will be silent."

However, only a small core of activists are drawn into fighting. The hard left has only some 200 activists among the political sciences faculty's 3,000 students. Mr Azrak reckons the right has just five activists. Students say Islamist fighters are not even enrolled in the university, but enter from outside to attack leftist rallies and demonstrations.

Few think these battles have much wider relevance. They are more worried that confrontation between the generals and Mr Erbakan is radicalising Islamist students who comprise one-fifth of the student body and normally keep a low profile.

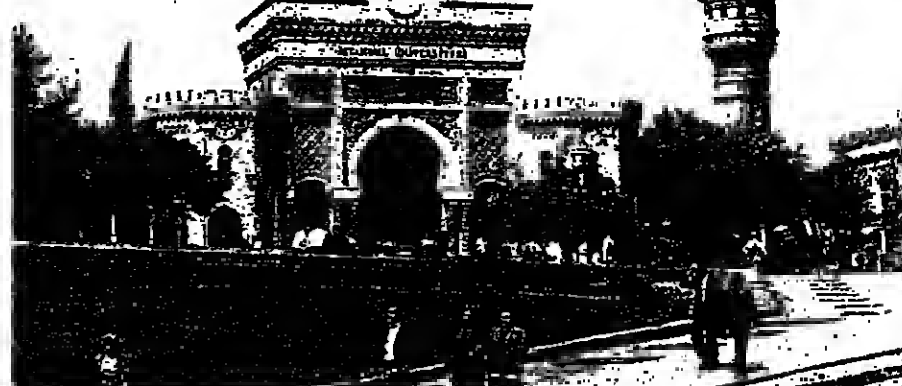
The Islamist Samanyolu television station has attacked Mr Azrak for discriminating against Islamist students. He is considering toughening foreign language entry requirements, hoping this will deter the less cosmopolitan Islamists.

Mr Azrak says the Islam-

ists "seemed domesticated [but] are gradually becoming more militant and active". Islamists have begun linking up with extreme Islamists. Clashes during Ramadan, the Muslim holy month of fasting, between non-observant leftists and Islamists chanting Islamist slogans are becoming more violent.

But Mr Idris Sayin, an Islamist student leader, denies this: "We do not get involved in fighting. We think it is artificial." The Islamists concentrate on winning over as many students as possible to their cause through persuasion not coercion.

Mr Sayin says the Islamists will dismantle the "unjust" secular state from within and, preferably, by democratic methods. "At the moment we have a democratic struggle. It is the people who will decide [on secularism]. Will they accept something [Atatürk] wrote 70 years ago or will they accept Allah's laws?" Mr Sayin has no doubt about



Istanbul University: always an ideological battleground

the outcome: "It is a process that is continuing and will grow gradually."

The Islamists are literally working to move this process forward. Unlike most secularist students, they study hard. High marks win them key positions in the judiciary and the powerful bureaucracy, allowing them to work quietly on establishing an Islamic state and turn Turkey away from pro-western secularism.

Mr Oğün Keleş, a secularist student says: "I would get less than a lemon seller in the market if I worked in the state. The Islamists have an ideology and they are ready to suffer for it. Not me. They will take the best places in the state and put their people there."

Like most Turks he despairs that mainstream political leaders are too corrupt and discredited to stop the Islamists. Some students

are tempted to put their trust in the army to prevent an Islamic state. But few are ready to give up on democracy.

Mr Durna, the student, says: "This country is not totally democratic but no one wants to lose democracy even if it is weak. Everyone wants it to be strong. No one wants to lose what they have."

John Barham

Branson waits to see if Hydra can be Virgin territory

by Karin Hope in Athens

Greece's government is trying to attract foreign investment but the Virgin group is still struggling to in a permit from the state archaeological service to build a \$30m luxury hotel on an island of Hydra.

The project by Virgin Hotels, headed by Mr Richard Branson, has been

delayed for over three years and has become a test case for the government's commitment to removing obstacles to investment and improving the quality of tourism, Greece's biggest industry.

In Athens yesterday, Mr Branson tried to quell fears that the 50-suite hotel, designed to imitate the austere style of Hydra's 200-

year-old mansions, would cause environmental damage. Modern buildings are banned on the island, there are no roads and transport is by donkey.

"The hotel will be built by Hydriot craftsmen. We'll have the materials carried by donkey, and there's no question of building a road," he said. "It'll be the most upmarket hotel in Greece."

Virgin Hotels has persisted with the project although its earlier applications to build a hotel in the rocky valley outside the island's port were rejected in 1993 and 1994. The archaeological service said the valley's "natural and archaeological character must be protected and remain undamaged by intervention of any kind."

Since December, officials

at Greece's new "one-stop-shop" for promoting foreign investment have been trying to persuade the archaeological service to rule on the current plan for the site.

But the Central Archaeological Council, a group of scholars and architects with a reputation for resisting pressure, refuses to be hurried. After delaying the decision for a year, it ordered a

new archaeological and environmental study of Hydra which is not due to be completed before the summer.

Mr Branson said that "probably 99 per cent" of Hydra's 2,000 residents were in favour of the project. But plans for the mayor and other islanders to back him in Athens yesterday fell through because stormy weather in the Aegean pre-

vented ships from sailing.

Several Greek environmental groups have come out against the project, but only two protesters were on view yesterday. Mr Joseph Efraimidis, an architect and town planner, stood outside the hotel where the news conference was held with a placard saying "Richard Branson - Keep Hydra Virgin."

http://

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NEWS: INTERNATIONAL

State handouts damaging the global environment, says report by 'green financier'

World Bank calls for end to fossil fuel subsidies

By Leyla Bouton in Washington

The World Bank, describing itself as the world's largest "green" financier, yesterday called for the elimination of billions of dollars of environmentally damaging subsidies.

It singled out subsidies of fossil fuels for criticism. These account for 90 per cent of energy consumption and are seen as an important cause of global warming. Subsidies for irrigation water and pesticides 'also came under fire'.

Despite a halving of subsidies for fossil fuels in the five years since the Rio "Earth" summit, there remained considerable scope for further progress, particularly in the developed world.

Environment Matters, a bank report, noted that the industrialised nations of the Organisation for Economic Co-operation and Development, accounted for two-thirds of subsidies with environmental consequences, with the remainder in the developing world.

Expanding the Measure of Wealth, another of three reports published by the Bank for the 5th anniversary of the Rio summit, says for instance that German coal subsidies in 1993 accounted for 70 per cent of \$9.5bn in OECD government handouts to energy producers.

But eliminating OECD coal producer subsidies alone would reduce by 1.5 per cent global emissions of carbon dioxide, one of the greenhouse gases associated with climate change.

The report also complained that the rate of subsidy, as opposed to the overall quantity of subsidy indicated in the graph, remained particularly high among oil producers such as Iran and Saudi Arabia.

While Environment Matters even outlined tips to help policy-makers make unpopular subsidy cuts - "for example threaten a tax hike to meet some fiscal shortfall then offer to reduce a subsidy instead of introducing the tax" - it said the perceived benefits of subsidies were mostly illusory.

"While there may be 'good' subsidies in principle, in practice most are wasteful of scarce fiscal resources, miss their intended targets (the poor, for example), and have the undesirable effect of stifling innovation and limiting competitiveness," it said.

It went on, however, to describe the removal of subsidies as just the "first step" to switching the world to more environmentally sustainable development. Another important step was to reform prices of energy and other commodities so that they incorporated the "full environmental and social costs of consumption".

Mr Ismail Serageldin, the Bank's vice-president for sustainable development, agriculture and water, said that "incorporation will show people that the perceived conflict between environment and development is not...real".

He added, however, that an important obstacle to such reforms was the fragmentation of policy-making, say on the use of the Nile's resources, among different

Stemming the flow: energy subsidies fall



government bodies, and in the case of some water basins, between countries.

As part of its drive to catalyse action by governments and the private sector, the Bank plans to do more to co-ordinate the efforts of various actors in environmental crises.

Another of its new resolutions is to plug the gaps in international agreements for dealing with global environmental problems. In this spirit, the Bank yesterday unveiled a \$27m agreement to compensate Russian factories for stopping by the end of 1998 the production of chlorofluorocarbon (CFC)

gases which destroy the ozone layer.

Russia has so far said that unlike other industrialised nations it cannot afford to stop CFC production, making it the biggest supplier for a \$300m global black market in the gases.

At the same time the bank announced it was reviewing all the fossil fuel projects it had financed over the past five years to see how much extra more environmentally friendly alternatives would have cost.

The main aim of the exercise is to demonstrate how industrialised nations could help the developing world

reduce greenhouse gas emissions by paying for the extra cost of more energy-efficient or renewable energy technology.

It also indicates the Bank's support for international trading in carbon emissions as the most cost-effective way of cutting greenhouse gas emissions. Favourable to the US but viewed with suspicion by the European Union, emissions trading would allow rich countries to pay either in cash or through technology transfers for emission reductions in developing countries where they often cheaper to achieve.

INTERNATIONAL NEWS DIGEST

WHO attack on cloning

The World Health Organisation said yesterday it regarded the use of cloning to replicate human beings as "ethically unacceptable". Dr Hiroshi Nakagata, the WHO director-general, said human cloning would violate some of the basic principles governing medically assisted procreation, including "respect for the dignity of the human being and protection of the security of human genetic material".

His statement follows a recent forecast by British researchers who successfully cloned an adult sheep that human cloning could be a reality in one or two years. The WHO chief said a group convened by the UN body in 1992 had concluded that "extreme forms of experimentation, such as human cloning" should be prohibited.

But he emphasised that opposition to human cloning should not lead to an indiscriminate ban on all cloning procedures and research which could aid the fight against cancer and other diseases.

Frances Williams, Geneva

Sweden in nuclear arms plea

Sweden yesterday called on the five declared nuclear powers immediately to take their nuclear forces off alert to reduce the risk of an accidental weapons launch. Addressing the United Nations disarmament conference in Geneva, Ms Lena Hjelm-Wallén, Sweden's foreign minister, said the 61-member disarmament conference should explore proposals made by the Canberra Commission last year for a series of concrete steps towards a nuclear-weapon free world. The proposal to take nuclear forces off alert could be implemented immediately, she said.

The Swedish foreign minister also urged the conference to launch negotiations on a treaty to halt production of weapons-grade fissile material and to work towards a total ban on landmines. The UN body has been unable to start talks on either issue because developing countries insist that the nuclear powers first pledge to negotiate complete nuclear disarmament within a fixed time-frame.

Frances Williams, Geneva

Belgian banker to head BIS

Mr Alfons Verplaetse, governor of the National Bank of Belgium, has been appointed chairman and president of the Bank for International Settlements, the Basle-based organisation owned by the world's leading central banks. He will take over in June from Mr Wim Duisenberg, president of the Dutch central bank, who will replace Mr Alexandre Lamfalussy as head of the European Monetary Institute, the forerunner of the new European Central Bank.

William Hall, Zurich

Afghan pipeline rivalry grows

Competition between an Argentine oil group and a US-Saudi consortium to promote a pipeline between Turkmenistan and Pakistan via Afghanistan has heated up. Bidas, a Buenos Aires-based company, has claimed that all the warring Afghan factions want to see work started "without waiting for the end of hostilities".

A rival consortium of Unocal of the US and Delta Oil of Saudi Arabia is also negotiating to build a pipeline through Afghanistan. It is being sued in the US by Bidas, which claims it interfered with its "exclusive rights" to build the pipeline.

Robert Corcoran, London

Arafat calls peace process crisis meeting

By Judy Dempsey in Jerusalem

Mr Yasser Arafat, president of the Palestinian Authority, yesterday invited countries involved in Middle East negotiations to hold a special session on the future of the peace process.

The meeting, planned to take place in Gaza on Saturday, is aimed at breaking the deadlock between Israel and the Palestinians.

It signals a shift in strategy by the Palestinians who

now seem prepared to use every diplomatic channel and all political means to push the peace process forward.

Mr Nabil Abu Rdnah, Mr Arafat's spokesman, said it would "assess the peace process in its entirety and the crisis in the negotiations resulting from the Israeli practices".

He added that Mr Arafat would ask the participating countries, which would include the US, Russia, the European Union, Egypt and

Jordan, "to shoulder their responsibilities".

The announcement follows a stinging letter sent by King Hussein of Jordan to Mr Netanyahu in which he criticised Israel's decision to go ahead with the building of a new Jewish settlement at Har Homa in east Jerusalem, the closure of four Palestinian offices in the city and the "humiliating" scope of the first of the three Israeli military pullbacks from the West Bank.

That pullback, rejected by the Palestinians, amounted to 9 per cent of land being ceded to Palestinian control while seven of Mr Netanyahu's cabinet ministers voted against the pullback claiming it was a betrayal to the Jewish settlers as well as the government's commitment to a greater Israel.

"The letter shows the king's growing frustration about the slow pace of the peace process," a Jordanian spokesman said. "We appreciate that the prime minister has domestic/political pressures but these cannot be always used as an excuse for the little progress recently made."

Mr Yitzhak Mordechai, the Israeli defence minister and one of the more dovish members of the cabinet, yesterday held talks in Amman with the Jordanian leadership to try to smooth relations. But King Hussein's criticisms of Israeli policies coincide with growing scepticism from other Arab countries as well as the EU capitals about Mr Netanyahu's

commitment to building trust with the Palestinians, considered a fundamental plank of the peace process.

Israeli officials yesterday brushed aside international condemnation of its recent decisions, saying that the government would not be put under such pressure. "Just because the Palestinians do not like the extent of the recent pullback does not mean we have to jump every time they threaten us," an Israeli government spokesman said.

NEWS: THE AMERICAS

Jackson strikes a blow at Wall Street's walls

By Tracy Corrigan in New York

The Rev Jesse Jackson has taken his battle for racial equality in US corporations to the heart of the corporate establishment. His Rainbow/PUSH Coalition yesterday opened its financial bureau at 40 Wall Street, a prestigious office development set among New York's investment banks, securities firms and stock exchanges.

"The walls of Wall Street must come down," said Mr Jackson.

The organisation has recently

been involved in series of widely publicised boycotts of large companies, such as Texaco and Mitsubishi Motors, charged with discriminating against minority workers. Some subsequently agreed to compensate workers and institute changes to their corporate culture.

The stated aim of the Wall Street project is to "end the one-way trade between minorities and corporate America", the group said. "There is a multi-billion-dollar trade deficit between corporations that target us for consumption and

then boycott us as trading partners."

The coalition will focus initially on consumer industries such as cars, foods and energy, where the threat of boycott is most potent.

While the direct financial impact of such boycotts is often questioned, there is little doubt that the surrounding publicity has encouraged some companies to act.

Mr Jackson argues that such tactics are needed because the legal system is failing, citing the Equal Employment Opportunity Commission's backlog of over 100,000 cases filed against companies. The government was auditing the poorest people through increased scrutiny of welfare recipients but there was never that kind of challenge to companies, he claimed.

Historically, the civil rights movement has concentrated on political and legal rights, and "there was not the focus there should have been on the private sector," according to Mr Jackson.

As a result, blacks were still largely excluded from private-sector jobs. Figures from the Bureau of Labour Statistics show that, as of October 1996, 20 per cent of the black workforce is employed by federal state or local government, compared with only 1 per cent of white Americans.

This New York bureau will research discrimination against minorities by companies, negotiate with management, and if necessary organise boycotts. But the Rev Jackson insists "we are not looking for boycott targets, we are looking for trading partners."

US workers raise their productivity

By Gerard Baker in Washington

US productivity increased 0.7 per cent last year, the fastest rate of growth since 1992, the Labor Department reported yesterday.

The increase, revised downward from an estimated 0.8 per cent improvement, was up sharply from the near-zero rates of growth of the last four years.

But it was still slightly lower than the average annual productivity increases of about 1 per cent in the 1970s and 1980s, and was far below the growth recorded in the 1950s and 1960s, when productivity rose at an annual rate of 2 per cent or more.

Productivity measures real output per worker, and is critical in determining how much non-inflationary growth an economy can sustain. Manufacturing productivity increased sharply last year, up by 3.9 per cent from a year earlier, the fastest growth in 10 years.

But the manufacturing sector now accounts for only about 18 per cent of all US business employment. The services sector, which has expanded in size over the last 20 years, has recorded virtually no growth in productivity in the past four years. That has pushed offi-

cially measured overall productivity growth in the economy close to zero in the same period.

Economists have expressed scepticism about the reliability of the figures, however, especially those relating to services. Output of services is hard to measure, and in the past year the Labor Department has changed the way of calculating it.

Officials at the Federal Reserve, the US central bank, believe the services sector performed better than recorded by the official figures. The Labor Department also reported that unit labour costs rose 2.9 per cent last year. The rise was the same as that for 1996, but recent indications of faster increases in wage costs mean overall unit labour costs could start to accelerate again in 1997. This will weigh heavily with the Fed as it considers whether to raise interest rates.

In a separate report, the Commerce Department said sales by wholesalers rose a seasonally adjusted 1 per cent in January from a month earlier, having been flat in December.

An equal rise in business stocks in January meant the ratio of stocks to sales was unchanged at 1.27, still close to a six-year low.

War of words over impact on Cuba of Helms-Burton

Soil Melia, ING Bank, Castrol, Sherritt... The company signs and flags that compete with embassy name-plates in Havana's elegant western suburb bear witness to the continuing presence of foreign businesses in Cuba.

Cuba's leaders use this to argue that the US Helms-Burton law, which has its first anniversary today, has visibly failed to provoke any large-scale withdrawal from the island by foreign investors.

But the same officials admit the US legislation has frightened off some potential new investors, complicated foreign financing flows, and generally tightened Washington's economic and diplomatic squeeze on President Fidel Castro's government.

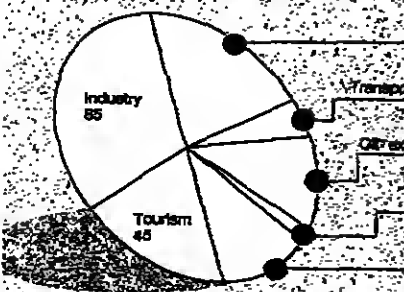
The law, introduced by President Bill Clinton on March 12 1996 after Cuba shot down two small US aircraft, codifies 35 years of US sanctions against the island. It demands Cuba dump Mr Castro, abandon one-party communism and embrace multi-party democracy. It threatens penalties against foreign investors who "traffick" in expropriated, formerly US-owned properties.

The official title of the Helms-Burton law is the Cuban Liberty and Democratic Solidarity Act. Cuba rejects it as the "law of slavery". Each side has conflicting views on what its real impact on Cuba's economy has been.

"I think that in its basic objective, the law has proved to be a failure," said Mr José Luis Rodríguez, Cuba's vice-president and economy minister. Cuban officials say 56 agreements involving foreign capital were signed by Cuba in 1996, more than in 1995, bringing the cumulative total to 260. Of the 1996 deals, 42 reportedly took place after the introduction of Helms-Burton.

Foreign investment in Cuba

(Number of deals by main sectors (as at 1997))



Also 41 hotel management contracts involving foreign partners, covering 11,000 rooms.

Source: Cuban Ministry of Foreign Investment

production there.

Last year, the Dutch ING Bank, citing Helms-Burton, announced it was not renewing contracts to finance sugar production in two Cuban provinces. But the bank maintains its office in Havana and remains active in financing projects, in the Cuban nickel sector, for example.

While Mr Clinton has twice suspended the right of US citizens to file legal suits under Helms-Burton against foreign investors in Cuba, US officials say they will continue to enforce Title IV of the law, which can bar offenders from entering the US.

Large investors in Cuba such as Sherritt and Spain's Sol Melia hotel chain, have made clear they are staying put. Big nickel mining projects involving Australian and South African companies are reported to be going ahead.

Besides provoking a big trade row between the US and its allies, the Helms-Burton law has dashed hopes for a quick improvement in US-Cuban relations.

US officials say the law has increased international pressure on the Castro government to introduce political reforms. But the government has retreated into its ideological bunker, economic reforms have slowed and official resistance to political change seems to have hardened.

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AMERICAN NEWS DIGEST

Venezuela sees strong growth

Venezuela's economy appears set for considerable growth after four years of stagnation, according to estimates by PDVSA, the state petroleum company.

The forecast, published in El Universal, the leading daily, said gross domestic product would grow by about 5.9 per cent in 1997 and by 7.3 per cent in 1998. These estimates exceed the government's GDP growth expectations of 4 per cent.

PDVSA expects the oil sector, fuelled by large investments, to be driving growth this year, when a series of capital intensive oil development projects get under way. By the following year the "petro-GDP" is expected to grow by only 3 per cent, while the non-petroleum sector is to grow by 8.5 per cent.

Independent analysts forecast growth of 4.5-6 per cent for 1997, but said petroleum-fuelled economic growth would not benefit consumers in the near future.

Consumer demand has plummeted in recent months as a result of last year's erosion of real income by 60 per cent.

Raymond Collis, Caracas

UPS details charter flights

United Parcel Service, the world's biggest package delivery company, yesterday named the five companies that are about to start chartering its cargo aircraft to fly holidaymakers to their destinations. They comprise two Miami-based cruise lines; Royal Caribbean Cruises and Celebrity Cruises, and three tour operators: Royal Travel Service of Meadow Lands, Florida, the Boston-based Trans National Travel Vacations, and the Atlanta-based Vacation Express.

UPS has converted five of its Boeing 727s into so-called "quick change" aircraft which can be adapted for passenger use at weekends, when they would otherwise be idle. Seats, galleys and overhead bins are loaded into the aircraft through their wide cargo doors and locked into place. UPS says that, after the change, the interiors will be much the same as those of conventional passenger aircraft, but the exteriors will still feature UPS's distinctive chocolate-brown livery.

From this weekend, the aircraft will start flying passengers from Chicago and Detroit to San Juan, Puerto Rico; from Pittsburgh to Orlando, Florida, and to Aruba in the Caribbean; and from Louisville and Cincinnati to Cancun, Mexico. From next month, another flight will operate from Tampa and Orlando to Cancun. UPS said tickets for the flights could be booked only through the tour operators.

Richard Tomkins, New York

Lima ponders hostage talks

President Alberto Fujimori said yesterday that Peru's government would "evaluate" the renewal of stalled talks with leftwing rebels who have been holding 72 captives for 15 weeks at the Japanese ambassador's residence in Lima.

Mr Fujimori insisted in a radio interview that he would "exhaust" all non-violent methods to solve the hostage crisis, but could not say when direct negotiations with the Tupac Amaru Revolutionary Movement (MRTA) might resume.

"An evaluation will be made to see at what moment these conversations can be restarted" at an imminent meeting between Mr Domingo Palacios, the government's negotiator, and guarantors overseeing the talks, Mr Fujimori said. The president refused to comment on the existence of a tunnel under the residence.

Reuters, Lima

Pascal Fletcher

Dr. K. S. S. S.

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Who's developing
new medicines
to slow
the symptoms of
Alzheimer's?

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NEWS: WORLD TRADE

EU chip decision puzzles industry

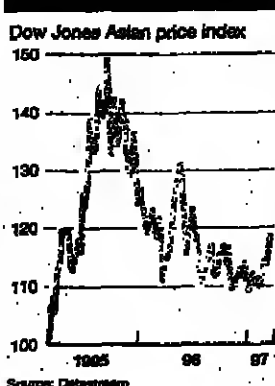
By Neil Buckley in Brussels, Louise Kehoe in Los Angeles and Paul Taylor in London

The European electronics industry yesterday remained puzzled over a European Commission decision to re-introduce minimum prices on imports of computer memory chips from Japanese and South Korean manufacturers.

South Korean and Japanese manufacturers have about 80 per cent of the \$6bn EU market for dynamic random access memory chips, or D-Rams.

Since the Commission has accused Japanese and Korean manufacturers of selling

Semiconductors



below cost, some increase in prices is expected, although this will be gradual since the full impact of the minimum

pricing will take effect over three months from April.

European semiconductor makers such as Siemens, which has invested substantially in D-Ram chip making capacity in recent years, immediately welcomed the move. But personal computer makers expressed concern about its implications.

Yesterday, however, it emerged in Brussels that the Commission will be based on current manufacturing costs plus a "single digit" profit margin.

The extent of the price increases will depend largely on how calculations of manufacturing costs are made.

according to Ms Evelyn Cronin, a senior semiconductor industry analyst at Dataquest, the US market research group.

"Costs can be fudged," she suggested. Accurate cost data would require close analysis of every D-Ram product line.

Assuming the cost information is accurate, price increases will not be dramatic, Ms Cronin predicted.

Currently, 16M D-Rams are selling for about \$8. "In some cases prices may rise to \$9-\$10, but overall the effect will be to stabilise prices in Europe," she predicted.

If this proves to be the case European D-Ram manufacturers are likely to argue

that the move does not go far enough to protect a fragile market.

The EU imposed anti-dumping duties on Japanese exporters in January 1990 and later on South Korean exporters, but the measures were suspended in 1995 because D-Ram prices were rising.

Since then, however, memory chip prices have fallen sharply reflecting a worldwide glut. Then, when the maximum 21-month suspension of the measures expired on Monday, the Commission was forced to announce plans to re-impose anti-dumping duties.

Meanwhile US computer companies with manufacturing operations in Europe warned the Commission earlier this month that the imposition of minimum D-Ram prices could have a serious impact on Europe's information technology manufacturing sector.

Manufacturing of products such as personal computers in Europe would no longer be economically viable, they warned. D-Ram manufacturers were already seeking to renegotiate contracts at higher prices, they said.

Industry analysts said that the increase in D-Ram prices would inevitably be passed on to computer buyers, putting a damper on already sluggish European personal computer sales.

Global forces put rail groups on the line

By Charles Batchelor in Vienna

The liberalisation of national markets for railway equipment and a growing demand for "turnkey" projects are revolutionising international railway markets, Mr Wolfgang Martensen, president of Siemens Transportation Systems, said yesterday.

The growth of the DM19bn (\$27.5bn) world market for rail orders is forcing the larger manufacturers, traditionally bitter rivals, into ad hoc "marriages of convenience" to spread their costs and their risks.

"Globalisation is more than a buzzword," said Mr Martensen. "In practical terms it means that every new tender in the world attracts the top players in the rail supply industry."

Liberalisation and privatisation of national railway companies were making them much more commercial in their approach, he said. "Profits are under attack at every major rail supply company in the world."

Siemens Transportation made a profit of DM19m (\$11.2m) on turnover of DM4.3bn in 1996 but expects two more difficult years and will not reach its target of a 5 per cent return on sales until 2000, he added.

Suppliers are being forced to assume new roles as customers no longer require them to meet detailed technical specifications, but rather expect them to find solutions to transport problems at a competitive price.

This is forcing manufacturers to meet tight performance specifications and to deliver equipment which works first time. "Customers no longer accept green bananas," Mr Martensen said.

Siemens has spent DM100m on Europe's largest rail test centre with 22km of track at Wildenrath near the Dutch border.

Turnkey contracts involve the supplier taking responsibility for long-term maintenance and leasing and financing arrangements as well as designing and building the rolling stock and other equipment.

This trend is particularly apparent in the market for City Metro systems. Siemens has recently won a DM750m order to provide a metro for Puerto Rico and two turnkey contracts in Bangkok with a total value of DM2.5bn. Demand for turnkey contracts is strongest in Asia and the Americas but is now spreading to Europe, Mr Martensen said.

The complexity of large contracts means that the date when sales can be booked to cover costs is more and more delayed, putting pressure on the manufacturers' finances. Siemens calculates that for every DM1bn of new orders it incurs DM300m of investment costs.

At the same time manufacturers are being forced to invest large sums in new technology to remain competitive. Siemens invests on average DM300m a year.

The growth in the scale of rail projects is forcing manufacturers into "new constellations" to share technology, experience, risk and access to capital, Mr Martensen said.

Siemens plans to expand an existing collaboration with General Motors' Electro-Motiva Division supplying AC electric locomotive technology into the US into a sales and marketing joint venture in other markets.

It is working with the Swedish-German group Adtranz to build two metro lines in Shanghai and with GEC-Alsthom on joint marketing of high-speed train technology outside Europe and North America. This joint venture, known as Eurotrain, is bidding for projects in Taiwan and in China.

Brussels strives to call the tune on trade

Lionel Barber on Commission efforts to extend its negotiating rights on intellectual property

Speaking with one voice does not come easily to the European Union. In trade policy, where national governments share power with the European Commission in Brussels, the risk of cacophony is real.

That is why the Commission wants to extend its negotiating rights in intellectual property and services - such as telecommunications and software - which in total account for around 30 per cent of world trade.

Sir Leon Brittan, EU trade commissioner, says wider powers for the Commission and an end to the unanimity rule would speed up negotiations, simplify decision-making and increase the EU's trade policy influence in relation to the US and Japan. But the request has already drawn opposition from sovereignty-conscious Britain and France.

The Commission's push for more power is a key issue inside the intergovernmental conference (IGC) reviewing the Maastricht treaty. These rolling constitutional negotiations are supposed to be wrapped up at a summit in Amsterdam in June, ahead of the EU's planned enlargement to take in central and eastern Europe at around the turn of

the century. The Commission proposal would extend its writ under Article 113 of the Treaty of Rome. This is the clause which gives the EU, through the Commission acting as negotiator, sole authority to conclude multilateral trade pacts in goods, reporting regularly to the decision-taking Council of Ministers.

For the sake of consistency, the Commission is

with practical arguments in favour of speedier, more efficient decision-taking. Here are the main points.

■ First, the time factor: before it can wrap up an international negotiation, the Commission must secure three decisions from the Council of Ministers, each involving unanimity. These include an agreement on the terms of the mandate, adoption of said mandate, and

the agreements liberalising trade with the central and eastern Europeans and a framework agreement with South Korea.

■ Third, the need for unanimity leads to the EU adopting lowest-common-denominator bargaining positions easily exploited by other countries. "The talks on foreign investment rules within the Organisation for Economic Co-operation and Development are a very good example," says the official. "It's a dream world for the Americans to team off with the British and Scandinavians."

■ Fourth, the unanimity rule encourages distortions in the single market, as happened in the recently concluded multilateral talks on telecommunications liberalisation.

Greece and Portugal successfully pushed for delays in the timetable for opening their markets. The result is an anomaly, whereby third countries can exploit the internal market while still not having access to one member state's telecoms market.

The Commission is making some headway with its demands to act as sole negotiator, thanks in part to its own contribution to wrapping up multilateral negotia-



Leon Brittan: wants more power for the Commission

Commission the right to take action against backsliders. Here most member states have put their foot down, arguing that this should remain the responsibility of national authorities.

The insistence of countries on retaining sovereignty in these areas underlines the shift in attitudes away from grand visions in the mid-1980s of a federal Europe in which the Commission could evolve into a supra-national executive. In this sense, Germany is proving as sceptical about handing more power to Brussels as Gaullist-minded France or the pesky British.

Yet Commission officials point out that member states have already ceded a great deal of sovereignty in the single market, where majority voting is the rule. The logical extension should be trade policy as the EU braces itself for enlargement eastwards.

"This is a matter of trust," says a senior Commission official. "If member states are unwilling to agree to a limited transfer of powers in a core area like trade policy, it does not bode well for the rest of the IGC. What will happen when the EU expands to 20 or 25 members?"

'If we don't have responsibility in this area, then all the gains we have made through majority voting would mean nothing'

pressing for Article 113 to include services and intellectual property as areas covered by the World Trade Organisation as a result of the Gatt Uruguay Round agreement in spring 1994.

The need for clarification became more urgent after the European Court of Justice in November 1994 rebuffed Sir Leon's arguments that the Uruguay Round deal was exclusively the EU's responsibility.

Having lost the legal battle, the Commission is trying to turn the tide in the IGC

finally conclusion.

"The process usually takes 2 1/2 years," complains a senior Brussels trade official.

■ Second, slow-moving national legislatures take up to two to three years to ratify trade agreements. The result is that the Commission is often forced to conclude interim agreements to fill the gap, even though these often mean the EU makes one-way concessions to satisfy the other party seeking early ratification.

Examples of protracted ratification delays include

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Strike set to disrupt Japan's ports

By Michio Nakamoto in Tokyo

Japanese shipping companies today face a 24-hour strike by workers at about 50 ports throughout the country. The action is expected to bring much of the country's port activity to a halt.

Japanese port workers are staging the strike to protest at US and European Union demands that Japanese port practices be reformed. The strike will affect imports and exports of a wide range of products from electronics to vehicles and foods.

Japanese shipping companies said that they would deal with the disruption to port work by re-orienting ships or keeping them idle at sea. Nippon Yusen said that about 10 container vessels scheduled to depart from Japanese ports today would be delayed; another shipping company, Kawasaki Kisen, will keep five vessels idle at sea for the day at an estimated cost of ¥10m (\$82,000).

The impact of the strike, however, is expected to be short-lived as long as it is restricted to one day. Tokyo's Tsukiji fish market relies on sea transport mainly for imported tuna, while other fish are either caught locally or delivered from overseas markets by air. Japanese carmakers and electronics makers said that a one-day strike would not have a significant impact on their activities as they do not rely on daily imports and exports of products.

The US has announced sanctions against three Japanese shipping lines that come into effect next month, while the EU has taken Japan to the World Trade Organisation over port practices which they say result in unnecessarily high costs and inefficiencies.

Earlier this year, Japan's eight big ports announced plans to change their wharfage system from May in an attempt to boost international competitiveness. The effect would be a decrease in fees for mooring up to 12 hours but an increase for a 24-hour stay.

Seoul challenged to disown imports attack

By Frances Williams in Geneva

The European Union and the US yesterday called on the South Korean government to disown "anti-import behaviour" fostered by the country's "frugality" campaign or face possible action in the World Trade Organisation.

At a meeting of the WTO's council on goods, EU officials said the campaign, launched after South Korean President Kim Young-sam last year called for an end to "luxurious consumption", was beginning to "hurt severely the interests of European exporters".

"A clear public statement from the Korean government disowning all anti-import aspects of the civic 'frugality' campaign is now necessary to dispel doubts about Korea's commitment to respect in full its WTO obligations," the EU's Mr Ian Wilkinson said.

Mr Andrew Stoler, for the

US, said Seoul should "issue an unequivocal public assurance that anti-import behaviour is inconsistent with Korea's international trade policy objectives".

Seoul maintains that it has no involvement in the campaign, which is being run independently by civic groups. Mr Joun Yung-sun, South Korea's WTO ambassador, said yesterday that the accusations by the EU and US were "unfair and unacceptable".

However, both trading partners argued yesterday that senior figures in government were continuing to whip up popular feeling against imports by blaming imported consumer goods for South Korea's \$24bn current account deficit last year. EU officials said this was "utterly false". Foreign consumer goods account for only 12 per cent of imports.

The EU and US also said their exports to South Korea were frequently subject to

administrative harassment by government agencies. EU cited as examples slow customs clearance, extra inspections, restrictive interpretations of "vague Korean laws on labelling" and "apparently systematic tax inspections on owners of foreign cars".

"We are very doubtful about the compatibility of certain of these statements and actions with Korea's WTO obligations," the EU said yesterday. It was "actively studying" what further action might be appropriate. The US also warned that the arbitrary use of administrative measures to deter imports conflicted with WTO rules.

Seoul insists that the frugality campaign is targeted against all consumption of "luxury goods". In the luxury category, South Korea includes electronic products, home appliances, cosmetics, sports equipment, clothing and cars.

US orders probe into EU starch subsidy

By Nancy Dunne in Washington

Ms Charlene Barshefsky, US trade representative-designate, has ordered an inquiry into charges that subsidies granted under the European Union starch production programme are nullifying benefits the US expected to get in the Uruguay Round.

Starch production is the latest in a series of bilateral farm trade disputes, ranging from the EU import ban on beef treated with hormones to the EU concern over genetically engineered food products. It is likely to be referred to the World Trade Organisation disputes settlement body.

It has not helped that the EU has yet to implement a promise to establish tariff rate quotas for imports of US milled rice and milled barley and a system allowing importers to recover overpayment of import duties on brown rice.

These disputes are troublesome to the US administration, facing near-overwhelming odds in its campaign to win new authority to negotiate further trade liberalisation from Congress. US officials had hoped to build a bilateral consensus for further trade liberalisation with farm trade representatives.

When Mr Jeff Lang, deputy US trade representative, recently appeared before a House of Representatives Ways and Means subcommittee to testify on the outcome of the WTO meeting in Singapore, he was besieged by questions over farm trade and a barrage of complaints against the EU.

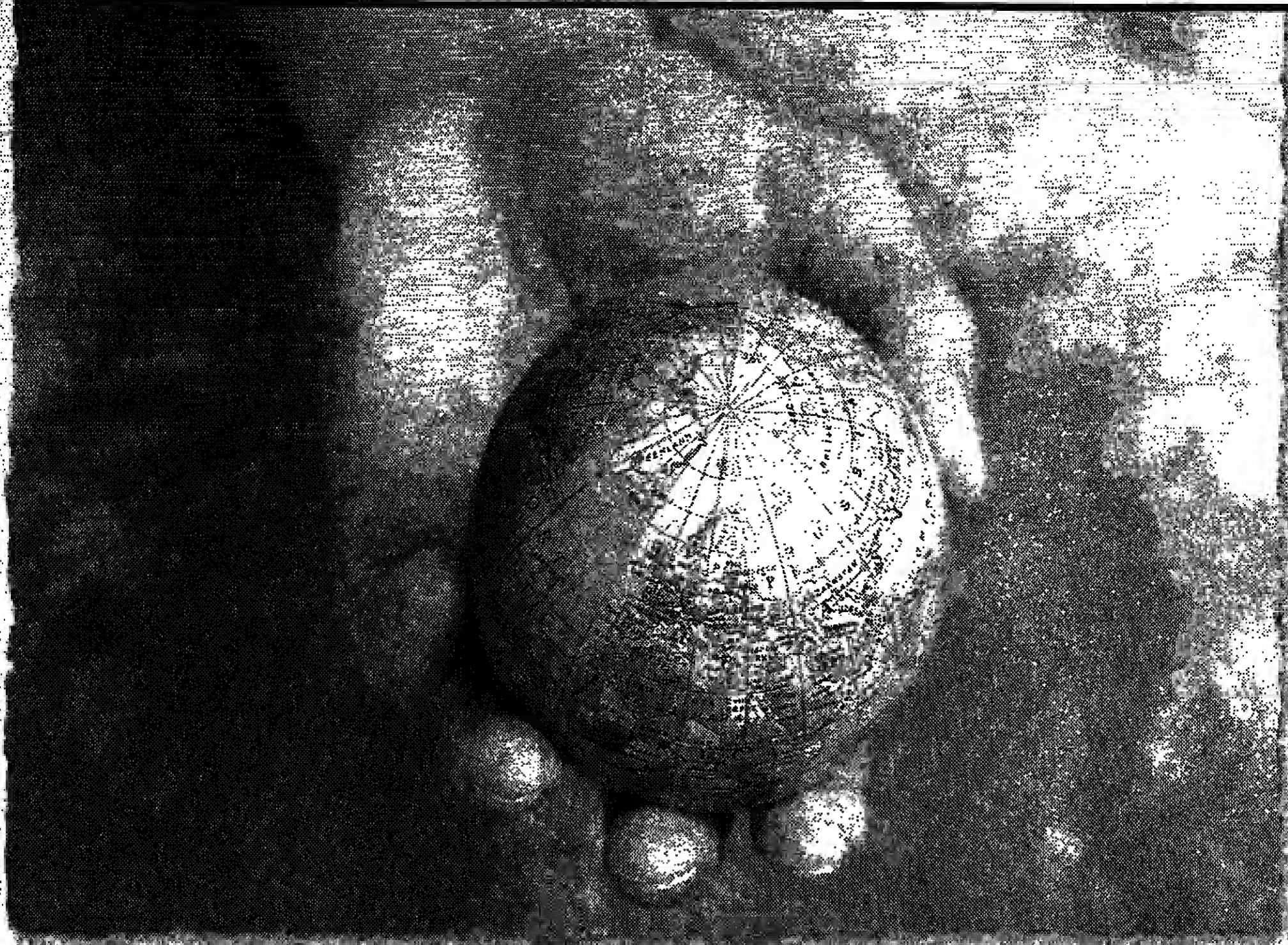
Many of these battles were supposed to be resolved by the setting up of a strong dispute settlement system in the WTO, but to some in the US, the process is moving too slowly. Others see a deadlock arising from lack of commitment by the EU to an open market for farm trade.

The EU starch programme is indicative, they say, of the larger problem. The Wheat Gluten Industry Council says US wheat sales to Europe have been reduced because an EU export tax has increased domestic supply and lowered prices. At the same time, refund subsidies have increased European gluten and starch production. Meanwhile, the EU share of the US wheat gluten market has soared in 1996 to 30m lb compared to 8m lb in 1993.

In another dispute, 12 congressmen have written to Ms Barshefsky asking her to apprise the EU of "growing impatience... over EU unwillingness to commit to broad-based lasting reform" in its common fruit regime.

Despite a 1984 ruling under the General Agreement on Tariffs and Trade against the EU and a 1995 bilateral canned fruit agreement, EU funding under that regime has escalated.

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INFORMATION TECHNOLOGY

Eagle Eye • Louise Kehoe

Start talking cents

Digital's Millicent will enable Internet users to pay a fraction of a cent to access a piece of information

How much would you be willing to pay to read this column on the Internet? A dollar? A few cents? Perhaps only half a cent?

I have been pondering these questions since talking to Digital Equipment researchers about their patent-pending, Internet micro-payment system called Millicent.

Perhaps Millicent will unleash the long-anticipated global market for online information. However, it will also signal a devaluation of Internet "e-money". Less than two years ago I listened to some of the world's Internet gurus confidently predict the future of "e-money" and the demise of national currencies. Now millicents are what it is all about.

Millicent is designed to enable Internet users to pay a fraction of a cent to access a piece of information - perhaps a newspaper column, or a cartoon, a few bars of music or, potentially, an hour's use of a Java application program or participation in a multiuser game.

Other payment schemes cannot handle such tiny payments because the cost of processing transactions is prohibitive. Millicent gets around this problem by establishing "distributed brokers" that sell scrip to end users and then pay the information providers.

Digital will begin an internal trial of Millicent among its 40,000 employees this month. If all goes well, a pilot system will go live on the Web in the summer. With just one or two "brokers" - probably banks - and a dozen or so information providers, the trial will be designed to test market reaction as well as enabling Web publishers to decide whether this really is a viable business proposition.

The Millicent "pay-per-view" approach is an interesting alternative to Web subscriptions, which have not been widely successful.

It sidesteps the security issues that have become a barrier to Internet commerce because few hackers are likely to try to steal millicents.

Not clear, however, is how Web advertising - the primary source of revenue for many Web publishers - will blend with Millicent.

Digital suggests that advertisers might give Internet users Millicent credits for reading their materials. Waded through enough pages promoting a new car and you might gather sufficient credits to read a magazine article.

I have my doubts about the latter proposition. I am also sceptical about Digital's claims that Millicent will create opportunities for self-publishers and special interest groups. It seems to me that the more publishers that register with a broker, the more cumbersome and expensive the task of distributing revenues will become. The system may be better geared to big media houses.

Perhaps the biggest challenge to Millicent's success, however, is the issue of putting tiny monetary values on materials published on the Web. A rough, back-of-the-envelope calculation would, for example, put the price of this column at slightly less than one cent, based simply on a fraction of the cover price of the newspaper.

I'd like to think it had greater value, and I suspect that others whose work is published on the Internet may feel the same.

Currently, Eagle Eye is available free of charge on the FT's Web site at www.ft.com.

In what is shaping up to be an historic "man versus machine" duel, Garry Kasparov, world chess champion, will take on Deep Blue, International Business Machines' chess-playing SP2 parallel processing supercomputer on May 3-11 in New York.

Last year, Kasparov defeated the computer, but he had lost the opening game in the six-game championship.

Over the past 12 months, Deep Blue has learned a lot more tricks, thanks to large part to Joel Benjamin, a former US chess champion.

Man v machine: Deep Blue has learned a lot of new tricks

ACM Chess Challenge
Garry Kasparov vs
Deep Blue

Man v machine: Deep Blue has learned a lot of new tricks

who is working with the IBM group. The chess computer has also become more flexible; programmers can make adjustments between games to correct weaknesses in the plays.

It is all great publicity for IBM. But the man versus machine premise is false. In reality, IBM is demonstrating the potential for building expert computer tools - computers programmed to follow rules that could become aides memores for human experts, much as a calculator is a standard tool today.

Kasparov himself envisages a new era of advanced chess in which players use computer tools that store moves from hundreds of championship games.

IBM's researchers look forward to developing computerised doctors' assistants and experts on the shapes of molecules that could be used to develop new drugs.

C.J. Tan, the IBM scientist heading the project, even warned to my idea of a computer trained to solve the problem of IT "information overload" - now that will be the day!

Talking of information overload - an issue close to my heart - one of the largest computer companies in Silicon Valley told me it issued 521 press releases last year. The good news? "We didn't send you all of them."

Conspiracy theorists might suggest that the information technology industry is deliberately creating a surplus of information to force us all to buy computer systems to deal with the problem.

Personally, I don't think they are crafty enough to come up with such a scheme, but there is no doubt that the IT industry has become a huge generator of information and those on the receiving end are desperate for solutions.

GlaxoWellcome's intranet • Nicholas Denton

To be taken internally

The drugs group has embraced the Net-based platform

In the fickle world of information technology, the public Internet is already outdated: for the past year intranets, corporate networks using Internet technologies, have been the focus of attention. Companies, drawn by estimates of returns on investment of up to 1,500 per cent, spent between \$4m (£2.6m) and \$50m last year developing intranets, and the market is expected to expand fourfold by 2000.

But what do intranets actually do? The question, rarely even put, is difficult to answer because very few companies have working intranets. So embryonic are these networks that Netscape, which supplies software for intranets and helps to set them up, is still coy about showing off its model UK client.

One of the few companies that is already making use internally of the new technology is GlaxoWellcome, the UK's largest pharmaceutical company. Its experience holds some important lessons. Intranets are simply performing basic tasks at which traditional computer systems have failed, which is quite an achievement.

Roger James, an IT director with GlaxoWellcome's research and development business, trying to describe the company's intranet, says: "It's like trying to write a day in the life of a company as the telephone. It is just part of the fabric."

For instance, an employee within research and development now looks up a colleague's telephone number on the intranet as a matter of course. GlaxoWellcome, like most companies, used to rely on departmental secretaries to collect telephone numbers of staff working in the unit. These would then be collated, proofread, and published in an internal telephone directory.

The pharmaceutical company now maintains the directory in electronic form, accessible to anyone with a personal computer, an installed copy of a browser program, and a connection to the corporate intranet. As well as searching for the number of a colleague, individuals can also revise their own entry. "The phone numbers are now always right," says James.

The electronic directory, as well as being more efficient, does promise greater sophistication. By including a section in each entry describing an employee's area of expertise, it allows an executive to ask: give me anybody in the organisation that knows about lung cancer.

In the longer term, GlaxoWellcome plans to link an individual's photograph and curriculum vitae to their entry.

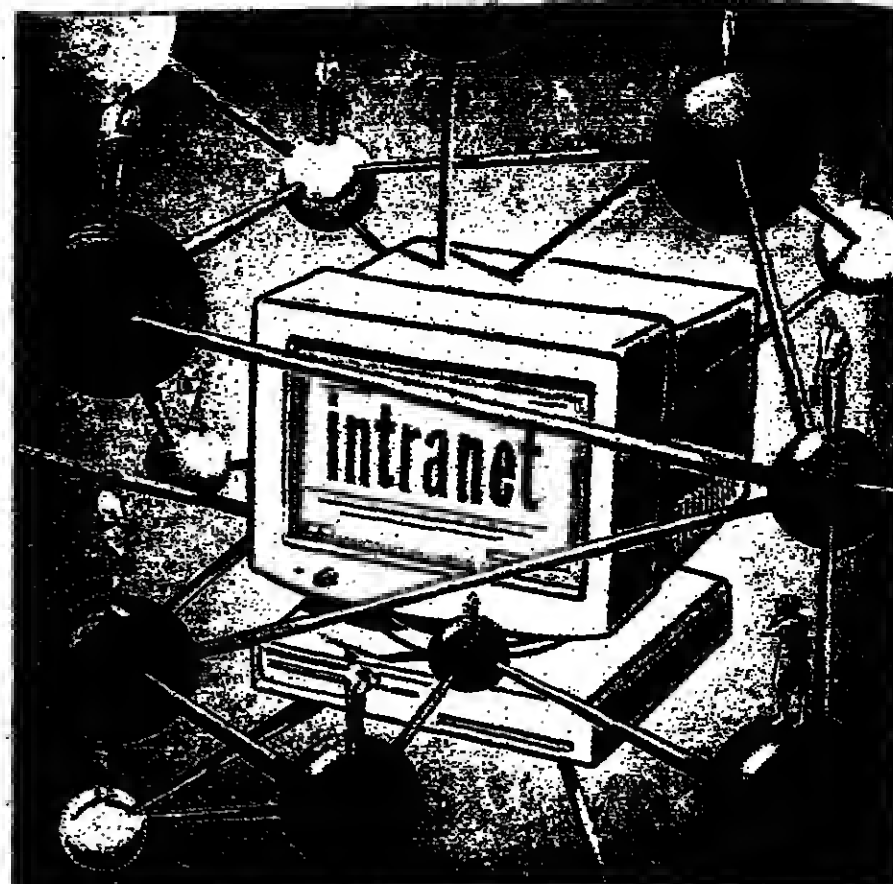
Another humdrum office task being eased by GlaxoWellcome's intranet is the distribution of memoranda. These are now published, alongside news relevant to the company and other features, in an internal magazine called Networks which

each pay an average of £71,000,000 (£10,760) to produce identical copies of their stores in the city. Some stores include shop assistants, represented by customisable avatars, the same 3D digitised figures that represent the users.

The service launches in March and is expected to be very popular; the creators are hoping for 40,000 subscribers by the end of the year, although it will be free until September. Cap Gemini hopes it will start to break even by early 1998.

The interface is very like 3D computer games such as Doom, and despite the lack of cars the streets are recognisable as Paris. The high-resolution graphics are stored on CD-Rom to protect users from slow Internet connections - allowing the system to include features such as virtual weather.

The system's finances are underpinned by shops such as Virgin Megastore and Le Printemps, the Paris department store, which



attracts 50,000 visits a day. Employees, who would formerly have had to rummage through their filing cabinet or bin, can now search electronically for an old memo.

Manuals explaining pensions policy, laboratory procedures or safety manuals, which staff used to complain were always out of date, are also now available in their most recent version over the network. And the intranet is encouraging communication between units as well as from management to employees. Of the 21 units in GlaxoWellcome's research and development department, 18 now maintain home pages which describe their work.

Now that many existing activities have migrated to the intranet, GlaxoWellcome is mulling over innovation. More than 5m words a week are published electronically through the National Library of Medicine. How do you monitor efficiently this torrent of information? Memo-

ry, a planned addition to the intranet, would eliminate duplication of effort by giving a reader comments from others who had accessed the same article.

It is hard to say whether these individual improvements add up to a measurable increase in productivity. Paper consumption continues to rise and the human resources department, originator of many of the memos and manuals which are now distributed electronically, is twice the size of five years ago.

However, GlaxoWellcome's intranet advocates say the project has still been worthwhile. It has given employees access to more information.

This common Internet language is made up not only of a communications protocol but also a style of displaying information. For example, on intranets, as on the Internet, clicking with a PC mouse on a "button" or an underlined section of text will typically take the reader to another page.

This consistency saves users learning a new visual metaphor. "As consumers,

individuals can get familiar downloading Dilbert cartoons and use the same technology for mission-critical applications in the company," says James. "The web preserves the user's investment in the system."

In GlaxoWellcome's R&D department, employees' familiarity with the Internet is not only encouraging use of the intranet, it is what drove the creation of the internal network in the first place. A researcher investigating a molecule checks the Internet, which until the early 1990s was a network largely for scientists, for similar work as a matter of course.

The ease of use of the Internet raised expectations. John Wodehouse, a colleague of James, says users asked: "If we can get this off the Internet, why can't we get information off the company network just as easily?" The development of the intranet was a revolution from below.

There is one hitch. The high priesthood, as critics describe the traditionalists of the IT department, has resisted this intranet uprising. The IT department, used to determining specifications from above, saw the spontaneous growth of the intranet as anarchy. About a year ago, one hostile IT executive would still not acknowledge to outsiders that GlaxoWellcome even had an intranet.

Andy Lyall, head of the advanced technology unit, which pioneered the intranet, is gloomy about the prospects for an accommodation. "They say science proceeds as fast as the old men die; maybe the same is true of the Internet," he says - a little harshly, he admits.

But, in the closest historical parallel, personal computers became mainstream products bought by IT departments within a few years.

The same may be happening again: Lyall says companies' IT departments are gradually embracing the intranet. "The people who claimed that it could not work now say that it was their idea," he says.

Both of these, however, can be difficult to set up and use. "Second World is really a way to simplify access to the Internet," says Anne Callewert, marketing manager of Cap Gemini Innovation.

The system is marketed for French users, and is in French, but it could be used from other countries via the Net. Similar projects are under development elsewhere, with Sony, British Telecommunications and the BBC testing an online 3D chat room called The Mirror, and Online Technologies offering a chat area using Internet telephony.

Second World is the only system driven by electronic commerce, not simply a "chat room". It also has the most ambitious graphics.

Discussions are under way with potential partners in Japan, the US and Britain about creating local versions, Callewert says.

Just visiting Paris by keyboard

graphics software - which allows users to customise the appearance of their avatar and the virtual apartment each receives - the system is essentially just a way of bringing together well-known Internet technologies.

Purchases from the shops are made by launching a Web browser such as Netscape Navigator and using its built-in transaction software, and online chat

Click for commerce and chat

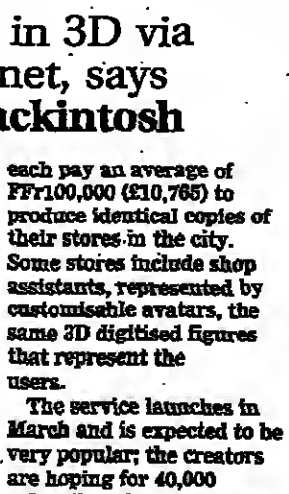
Visit Paris in 3D via the Internet, says James Mackintosh

Passing the Eiffel Tower you briefly join in a conversation about Parisian politics, before checking the balance at your bank and teleporting to the Virgin Megastore to listen to the latest chart hit.

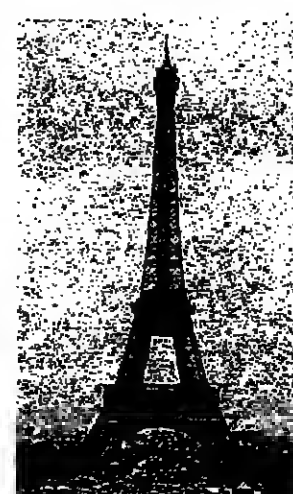
All this and more can now be done with a few mouse clicks at Deuxième Monde (Second World), developed by Canal Plus Interactive, a division of the French media group, together with games company Cryo and Cap Gemini Innovations, the research arm of Cap Gemini.

Second World is a PC-based system that links a three-dimensional digitised Paris with the Internet to provide an easy interface for electronic shopping and services and a social space for users to chat.

The system's finances are underpinned by shops such as Virgin Megastore and Le Printemps, the Paris department store, which



Just visiting Paris by keyboard



Just visiting Paris by keyboard

using the keyboard has been possible for years, both on the thousands of Internet Relay Chat (IRC) channels and in "Mud", multi-user dimensions.

Both of these, however, can be difficult to set up and use. "Second World is really a way to simplify access to the Internet," says Anne Callewert, marketing manager of Cap Gemini Innovation.

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Leaked letters show ministers were warned about falling standards in abattoir hygiene

Slaughterhouse standards remain low

By George Parker,
Political Correspondent

The UK government last night threatened to name dirty abattoirs which failed to meet basic hygiene requirements, after it emerged ministers were warned as recently as last month that standards remained dangerously low.

The opposition Labour party produced leaked letters showing that meat inspectors warned the government repeatedly in the last three months that abattoir standards were falling, and that some premises harboured the deadly e.coli organism.

Mr John Major, the prime minister, and Mr Douglas Hogg, the agriculture minister, insisted last week in the House of Commons that abattoir standards were rising and that lessons from the leaked "Swann report" into slaughterhouse hy-

giene had been learned. Yesterday ministers attempted to regain their grip on the situation, and promised tough action would be taken against abattoirs which failed to meet hygiene standards.

Mr Major said he would personally investigate claims made by Mr Peter Courie, general secretary of the Association of Meat Inspectors, that health standards in abattoirs had become

director, said there was a danger UK consumers would see "BSE-free" beef going for export and demand the same. This would force retailers to compete for meat from a very small number of "certified" herds and force prices up sharply.

He said meat from certified herds could not be guaranteed BSE-free because some farmers might attempt to preserve their "certified" status by moving cattle out of herds if they developed early signs of the disease.

"We need the export ban lifted, but

let's not pretend we're doing it on a BSE-free basis," said Mr Batty.

Beef will qualify if it comes from an animal under 30 months old which has been clearly identifiable throughout its life. It must come from a herd that has been free of suspect or confirmed BSE cases for at least six years. The agriculture ministry said it had never aimed to market the herds as "BSE-free." It insisted there would be sufficient controls under the scheme to pick up any suspect cases of BSE in a certified herd.

But yesterday Labour produced a leaked letter from Mr Comrie dated January 19, which claimed that "far from improving, standards of hygiene are decreasing".

The letter to Mr Johnston McNeill, chief executive of the Meat Hygiene Service, said: "There is no need to tell you that this is a potential timebomb, and I would urge you to implement measures - as in the BSE crisis

in order to overcome this dangerous situation."

In another letter to Mrs Browning on February 11, he wrote: "Faecal contamination, which can lead to e.coli, needs to be far more rigorously controlled, without delay."

And in a final letter to Mr McNeill on March 5, Mr Comrie claimed some meat inspectors were "encouraged to ignore breaches of regulation and in some cases threatened" if they tried to take action.

Contracting rule reversed by EU court

By Alan Pike
and Robert Rice

Companies providing public services under the government's contracting-out legislation could face huge bills for inherited employment liabilities following a U-turn in the European Court of Justice yesterday.

A judgment of the Luxembourg court decided that the 1977 European Acquired Rights Directive - translated into UK law in 1981 - does not automatically apply when a contracted-out service transfers from one provider to another. The decision has potentially far-reaching implications for both contracting companies and the UK government's programme of contracting-out public services.

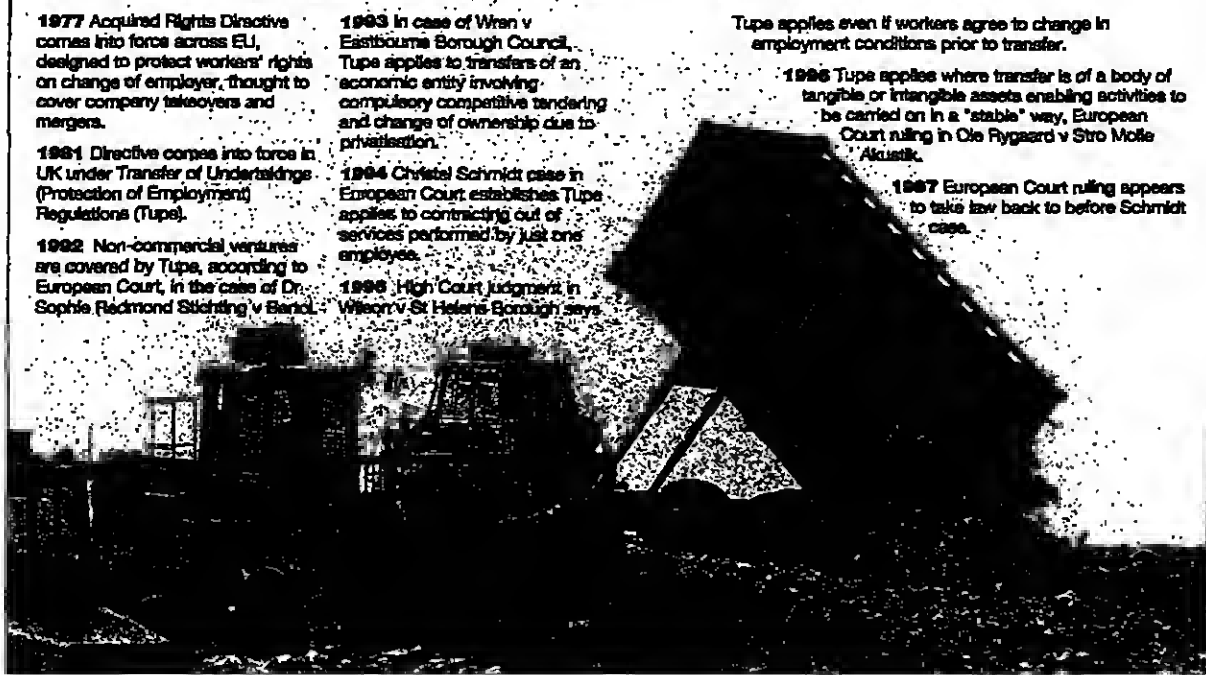
The directive came into force in the UK under the Transfer of Undertakings (Protection of Employment) Regulations, known as TUPE. It was designed to protect the jobs and conditions of employees when the undertaking they work for

changed hands. Tupe has a complex history of court decisions in its wake. But for the past three years public contracts have been let on the assumption that it applied to contracting-out. This means that, when contracts change hands, employees are transferred to the new employer on their existing terms and conditions. If Tupe ceased to apply, an employer losing a contract would become responsible for all the inherited employment liabilities.

The Business Services Association and Public Contractors Association, which represent contracting companies, both sought urgent meetings with the Department of Trade and Industry to clarify the position yesterday.

Three years ago the Luxembourg judges gave the directive the widest possible application when they ruled that it applied to the contracting-out of services performed by just one employee. But yesterday the court said European employ-

Workers' rights: tangled route through the courts



ment protection rules did not automatically apply when a contracted-out service changed from one contractor to another. If there was no transfer of assets when a contract changed hands or the new employer did not take on an essential part of the workforce, the directive did not apply, the court said.

Employment lawyers described the decision as an "amazing U-turn". Mr Fraser Youson of City solicitors

Baker & McKenzie said the ruling would come as an "unwelcome bolt from the blue" for contractors. "Contractors already in contracts tendered their bids on the basis that Tupe applied and so they didn't factor in severance and redundancy costs. They could take a huge hit when contracts change hands," he said.

Any uncertainty over the court decision appears to allow public authorities some choice over whether to

advertise contracts on a Tupe or non-Tupe basis. The decision appears to take the law back to the position before the 1994 Schmidt case, when the court ruled that the directive applied to the contracting-out of cleaning services for a German bank performed by one employee.

The trade unions reacted cautiously to the ruling yesterday. "The ruling only applies to a single German case and

does not appear to change the rights of larger groups of workers," said Mr John Monks, the Trades Union Congress general secretary. "We are advising unions that any future cases should be judged on their merits."

Unions do not believe the judgment will undermine the directive but fear it could encourage "unscrupulous, small, non-union employers" to deny contract workers their legal rights.

Ex-Barings manager given three-year ban

By John Gapper,
Banking Editor

The Securities and Futures Authority, the UK investment banking regulator, yesterday issued one of its strongest public rebukes to Mr Ian Hopkins, a former manager of Barings, the merchant bank that collapsed two years ago.

The SFA banned Mr Hopkins, former head of treasury and risk at Barings, from being the director of a City of London firm for three years. It also hit back at public criticism by Mr Hopkins of its actions over the past year.

Mr Nicholas Durlacher, SFA chairman, said Mr Hopkins was wrong to have claimed to be a "whistle-blower" who tried to warn other managers of weak-

nesses in the bank's controls. A tribunal had found Mr Hopkins' actions fell far short of the standards expected of a prudent man in such a senior position.

Mr Durlacher's personal statement accompanying the ruling is unusual for the SFA. It follows Mr Hopkins' accusation this week that Mr Durlacher improperly handled the case.

Controversy over the SFA's handling of the Barings collapse was stimulated last year by its decision not to take action against Mr Peter Baring and Mr Andrew Tuckey, Barings' former chairman and deputy chairman.

Mr Hopkins, who has conducted a campaign to be recognised as having taken measures to control Mr Nick Leeson, the derivative

trader whose actions cost Barings \$880m (£1.4bn), was formally declared "not fit and proper" by the tribunal.

Seven other former Barings managers have been disciplined by the SFA over the collapse. Sanctions ranged from a simple reprimand in two cases to three-year bans in others.

Mr Hopkins said yesterday he "totally rejected" the findings. He regretted "the gratuitously vindictive terms in which they are expressed" and believed he had "cleared my name in the public domain".

Mr Hopkins, singled out for praise in an inquiry into the Barings collapse by inspectors in Singapore, said that the SFA's decision defied "much documented and circumstantial evidence to the contrary".

Bias in N Ireland to be independently probed

By John Murray Brown
in Dublin

The UK government has announced an independent review into allegations of religious discrimination in the private office of Baroness Denton, the Northern Ireland economy minister.

The review, to be conducted by Mr Maurice Hayes, a Roman Catholic former Northern Ireland ombudsman, follows mounting criticism by nationalist politicians of the minister's role in the redeployment of a Catholic member of her staff.

The staff member subsequently took an action to the fair employment tribunal alleging religious harassment against the minister's private secretary.

While conceding the need

for a review, Sir Patrick Mayhew, the Northern Ireland secretary, strongly defended Lady Denton, insisting that she had no role in "the transfer or appointment" of officials in her department which was a matter for the civil service.

He also ordered an inquiry into the leaking to the press of confidential staff documents at the Northern Ireland Office, which fuelled the controversy.

As economy minister, Lady Denton is nominally in charge of fair employment policy, which is aimed at preventing religious-based job discrimination. In this incident, she is accused of ignoring the guidelines governing application of the law where the perpetrator rather than the victim of the incident

should be redeployed. The woman, who has not been named, was awarded £10,000 and received an apology from the department.

Mr Seamus Mallon, the Social Democratic and Labour party MP, accused her of "disdain, bordering on contempt" for the fair employment law, although he did not suggest she should resign.

With business and trade union leaders expressing concern over the incident, Ms Marjorie Mowlam, who speaks for the opposition Labour party on Northern Ireland, has called for the government "to get to the bottom of the facts".

The government yesterday denied reports that Lady Denton had cancelled a planned trip to the US in the wake of the continuing row.

UK NEWS DIGEST

Minister in EU response

Mr Ian Lang, the trade and industry secretary, has sought to reassure British business about the UK's policy towards the European Union. He was responding to a warning from 23 business leaders, in a letter to the Financial Times yesterday, that Britain's place in the EU was being undermined by "extreme Euroscepticism".

The industrialists' message was reinforced by an opinion poll which claimed 53 per cent of Britons would be willing to trade economic sovereignty for higher living standards. The Opinion Research Business survey, for the European Commission's London office, said 60 per cent of voters believed the UK should leave open the decision on joining a single currency, with 14 per cent wanting it immediately and 20 per cent ruling it out. On the social chapter, 38 per cent were for adopting it and 41 per cent against. In his own letter to the FT, published today, Mr Lang says: "There can be no question of diluting our commitment to the single market, which is the real heart of Europe."

John Kampfner and Stefan Wagstyl
Letters, Page 12; Observer, Page 13

RETAIL TECHNOLOGY

Shell unveils smart-card move

Shell yesterday unveiled a development in the use of microchip smart cards which could revolutionise shopping in UK retail centres.

The company announced that a consortium of retailers is joining the oil company's loyalty scheme. The Smart scheme, to be launched in Scotland on Friday and rolled out throughout the rest of Britain in the autumn, will be the most comprehensive joint loyalty programme in the UK. It links retailers Dixons, Currys, Victoria Wine, Vision Express, John Menzies and The Link with Commercial Union, the RAC, Hilton Hotels and Shell.

Both J Sainsbury, the supermarket group, and Lloyds Bank are in talks with Shell about participating in the scheme.

Other potential members include Next, the clothing retailer, drinks manufacturer Allied Domecq, Ford, the vehicle group, and Cellnet, the mobile phone network.

Smart cards, using microchips with the capacity to store and process as much information as a small personal computer, were pioneered by banks in France and Germany.

Peggy Hollinger and Paul Taylor

CLIMATE CHANGE

Hot weather costs industry dear

British industry and agriculture lost hundreds of millions of pounds worth of business thanks to unusually warm weather in 1995, according to a Department of the Environment report released yesterday.

As the department announced it was carrying out a study to assess the vulnerability of the UK economy to climate change, Mr John Gummer, the environment secretary, warned companies that they would have to adapt to take account of year-on-year increases in temperature.

"It is clear that the summers are getting warmer and that the 'unusual' summer of 1995 may become a much more common event," he said. "At the present level of warming adaptation is possible."

Domestic energy use fell by £355m, while the insurance industry lost £326m over the year, much of it due to claims for subsidence. Agriculture lost £180m as milk yields and potato crops fell and livestock mated less.

Ms Jean Palutikof, one of the authors of the report, said British tourist facilities tended to be geared to providing things to do when the weather was poor. "The tourism industry does need to take steps to link into the obvious desire of people to stay outdoors," she said. Michael Peel

HEALTH SERVICES

US firm scoops \$81m contract

A \$80m (\$81.5m) contract has been awarded by Chelsea and Westminster Healthcare NHS Trust to Tarmac ServiceMaster to run all of its non-clinical services.

The contract, one of the largest of its type, runs for seven years. It covers the supply of catering, waste disposal, linen and laundry, estate and car parking management and domestic services.

Tarmac ServiceMaster, a joint venture between Tarmac, the UK construction and building materials group, and ServiceMaster, the US facilities management group, was established two years ago. It also has won contracts to supply non-core services to Derbyshire Royal Infirmary, Thames Healthcare, British Gas, the Royal Parks and Syntegra, part of BT group.

Andrew Taylor

DEFENCE

Ministry wins \$8m for damage

The Ministry of Defence has secured only \$5m (\$8m) in compensation from a company which caused \$20m in damage to Royal Air Force Tornados it was supposed to be repairing.

As the MoD is negotiating private finance initiative contracts worth several billion pounds with companies, the low settlement raises fears that MoD contracts may not be tight enough to protect the department when contractors make mistakes.

Sixteen Tornado F3 fighters had to have their centre fuselages replaced after Airwork, the aerospace company, modified the jets at the RAF's maintenance base at St Athan in Wales in 1992. An RAF technician discovered the poor work by chance, and the jets had to be sent back to British Aerospace, their manufacturer, for repairs which cost £20m.

Bernard Gray

Conservatives challenged over source of funds

By Liam Halligan
and James Birt

Lord McAlpine, the former treasurer of the UK's ruling Conservative party, yesterday said Mr John Major, the prime minister, should explain how the party had improved its finances by about \$20m (\$97.8m) over the past five years.

Lord McAlpine said he was at a loss to understand how the party had rebuilt its finances after a particularly lean period - and claimed the party was under growing pressure to explain where donations were coming from.

Amid recent indications that the party had swiftly overcome its £19m deficit following the last election, Lord McAlpine said Tory officials should openly declare the source of large donations to quash media speculation about the source of funds.



Lord McAlpine: former Tory fundraiser questions the turnaround in Conservative finances

In an interview with the Financial Times, the 65-year-old peer, who defected to Sir James Goldsmith's Reform party last year, said that recent press reports suggested the Conservatives now had as much as \$40m to fight the election.

He added that this had come in spite of a large drop in the number of corporate donations to the Tories in recent years.

"It's unbelievable," he said. "If the party has got forty-odd million quid in the kitty and the people gener-

ally believed to be giving it have stopped doing so, then where has it come from?"

He continued: "We could be talking about a \$20m turnaround, and somebody has to explain that."

Lord McAlpine - who hails from the construction

dynasty - made clear he did not believe there had been any impropriety in the way the Tories had raised funds since he resigned as treasurer in 1991, but he said he had recently changed his views over whether donations should be made public.

"A donation of £100,000 is not the end of the world - no policies would be changed," he said. "But if donations are reaching half a million pounds, then the Conservative party should disclose them in the name of public confidence."

In a further embarrassment to the Tories, he endorsed Labour's policy of declaring all donations made to party funds above £5,000. "I think that the Labour party has gone down the correct route with voluntary disclosure above a certain level," he said.

He dismissed the controversy over the "blind" trust

operated by three Labour peers on behalf of the office of Mr Tony Blair, Labour leader, said to be worth £500,000. "The better equipped is Tony Blair's office, the more able Labour is to provide a credible opposition," he said.

The peer, who raised about £100m for the Conservative party between 1975 and 1980, said he would be "very happy" to give evidence to the Nolan committee if it were to inquire into the funding of political parties. The committee is expected to do this if Labour wins the next election.

However, he made clear he did not believe parties should be statutorily required to make declarations about donations.

The only reason for doing so, he said, was to "dispel rumours" about where the cash had come from and to "restore public confidence".



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Edward Mortimer

Means to an end

Sanctions against Iraq should be part of an international strategy to topple Saddam Hussein's brutal regime

In the next few weeks Iraq's population should begin to benefit from last year's oil-for-food deal, as necessities bought with the proceeds of Iraqi oil sales are distributed under the eye of UN monitors.

The sanctions against Iraq remain in place: the country is only allowed to sell \$2bn worth of oil over six months, and the proceeds have to be divided between compensation for war damage in Kuwait, UN costs, and humanitarian supplies purchased and distributed under UN supervision.

Indeed one could say that sanctions are thus sharpened, in the sense of being targeted more precisely against the regime and less against innocent Iraqis who cannot be held responsible for Saddam Hussein's crimes. Wherever sanctions are used, they should be made as sharp as possible in that sense.

Sanctions can work. Many leading Africaners in South Africa admit they were an important factor in their decision to abandon apartheid and negotiate with the African National Congress.

As a result, there is now a tendency to emphasise the exceptional features of that conflict and to warn against taking it as a model. The Africaners' elite, it is suggested, was half decent or anyway "rational". It was also up against a strong resistance ready to accept the pain of sanctions even when (as in the case of coalminers) it cost them their jobs, because apartheid was seen as the greater evil.

By contrast, it is argued, sanctions cannot work against a ruthless or "irrational" leader such as Saddam, indifferent to the fate of his fellow-citizens, able to crush any visible resistance movement in the country, and with everything to lose if he shows the slightest sign of weakness. In such a case they only increase the

miserable of the population. I am not convinced. Most of the same arguments were used against sanctions on South Africa in their time. The white elite, it was said, was only marginally inconvenienced by sanctions, the worst effects of which fell on poor blacks. The Africaners supposedly had a lesser mentality which would be reinforced by isolation. Whatever harm they suffered from sanctions would be far less than the harm they anticipated if the black majority were allowed to take power. Right up to 1990, white rule looked set to continue for many years to come.

Obviously, Iraq is not South Africa. Saddam and his cronies are not interested in rugby. Oppressors and oppressed have the same skin colour and in most of the country the oppressed are not free to organise or express their views. Nor can one imagine Saddam sitting down to negotiate a power-sharing deal, in which he would remain as vice-president or leader of the opposition while one of his former victims became president. He is no F.W. de Klerk, and he long ago executed the man

who might have been an Iraqi Mandela, Ayatollah Muhammad Baqr Sadr.

But Saddam is not impervious to sanctions. If he were, he would not have accepted the oil-for-food deal. Where they are free to express themselves, most Iraqi opposition groups favour maintaining sanctions – as the ANO did, and for the same reason: they believe sanctions are a lesser evil than the regime, and a price worth paying to hasten its end.

The real problem is that in the Iraqi case sanctions are not part of a strategy for doing that. Indeed, ending the regime has never been stated explicitly as their purpose, though it is pretty clear the US and UK will not allow them to be lifted while Saddam remains in power.

The only way he is likely to be removed is by force. Most people imagine this happening by a simple palace coup, but Saddam takes great trouble to prevent that. It will happen only when the regime is already crumbling and things have reached a point where those around Saddam are more afraid of being caught up in his downfall than of

what he might do to them. It would help if the international community stated explicitly that sanctions are aimed at bringing about a change of regime in Iraq, and will be removed only when a new government reflecting a broad consensus of Iraqi political forces is installed.

The obstacles to such a statement are political, not legal. Many UN members are unwilling to call Saddam to account for brutality against his own people, however extreme. They fear the precedent would one day rebound against them. But Saddam is not only brutal to his own people. The reason there are sanctions against him is that in 1990 he forcibly annexed a neighbouring state. Moreover that was not his first aggression. The UN has formally determined that he also committed aggression against Iran in 1980, starting an eight-year war in the course of which he further broke international law by using chemical weapons.

An international tribunal should be established to draw up indictments against Saddam and other leading Iraqi war criminals, similar to those already dealing with war crimes in the former Yugoslavia and Rwanda. In order to avoid solidifying the regime around Saddam, it should be empowered to negotiate plea bargains, making it possible for accomplices to avoid prosecution by giving timely evidence against the chief culprits or, better still, by apprehending them and turning them in.

If that were done, the purpose of sanctions against Iraq – to bring about a change of regime – could be made explicit. The Iraqi people would then have a clearer idea why sacrifices are being demanded of them, and the rest of the world a clear reason for keeping sanctions in place.



Saddam Hussein: not impervious to sanctions

LETTERS TO THE EDITOR

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Single market should be the heart of UK's commitment to Europe

From Mr Ian Lang MP.

Sir, Sir Colin Marshall and his fellow business leaders are entirely right (Letters, March 11). We should be proud of Britain's admirable record in Europe. The single market was very much a British initiative. It is now creating opportunities for British companies all over Europe – the volume of exports from Britain to other member states rose 32 per cent between 1990 and 1995.

There can be no question of diluting our commitment to the single market, which is the real heart of Europe. By the same token, British interests will be best served in the coming years by a robust defence of our flexible labour markets, and a refusal to accept the burdens of the social chapter. On this we part company with our political opponents, who have no compunction about embracing new European burdens on business.

Ian Lang, secretary of state for trade and industry, House of Commons, London SW1A 0AA, UK

From Mr Bill Cash MP and Mr Iain Duncan-Smith MP.

Sir, Sir Colin Marshall and others who purport to represent the business commu-

nity with their comments on Europe are being less than honest.

First of all their attempt to misrepresent the European realist arguments as being about whether we are to be in or out of the single market are simplistic and not what the debate has been about. Furthermore, their implied claim to represent the business community is bogus. After all, it is small and medium-sized businesses, such as the members of the Institute of Directors, which are responsible for much of the job creation in the UK, not multinationals. Are these signatories of the letter now prepared to admit that they were wrong on the exchange rate mechanism, which ruined so many businesses and against which we fought?

If they want to debate the facts then we are ready to do so any time. The truth is they are bringing nothing new to the debate other than empty rhetoric and bogus fears.

Bill Cash, Iain Duncan-Smith, House of Commons, London SW1A 0AA, UK

From Mr Peter Scott.

Sir, As one who is struggling to identify the poten-

tial advantages and disadvantages of closer political and economic union with Europe, I was disappointed by the generalities and unsupported assertions in a letter yesterday from Sir Colin Marshall and his distinguished associates.

A number of economic benefits are cited, for example visible trade and investment flows. But how can we know that these would not have flowed anyway because of our physical proximity to Europe and our membership of the General Agreement on Tariffs and Trade. Also, is it not true that much of the improvement in our economy, which is admired by our European friends, occurred after we left the exchange rate mechanism?

If Sir Colin and his associates are so sure of the enormous benefits which we have already gained and those they believe we could gain in the future from our participation in the European Union, I think the British public deserves more reasoned and substantiated evidence from them.

Peter Scott, Hemmington Scott Publishing, City Innovation Centre, 26-31 Whiskin Street, London EC1R 0BP, UK

Few barriers in return to Hong Kong

From P. Y. Cheng.

Sir, I refer to Mr. Bolin's queries (Letters, February 27). UK citizens are normally permitted to land and remain in Hong Kong for 12 months without conditions. There are however certain circumstances where a short period of stay may be considered appropriate, the date of expiry of the passport being one.

The current policy also provides that UK citizens in Hong Kong who wish to con-

tinue their residence may apply for an extension of stay within the four weeks before the expiry of their limit of stay. Approvals are normally accorded in a two/three-year pattern, ie two two-year extensions then a third of three years. UK citizens on extensions of stay in Hong Kong as residents who return from short trips outside Hong Kong are given the same limit of stay if their previous one has not expired.

In the absence of Mrs Bolin's personal particulars, we are unable to determine the circumstances under which she was given a limit of stay until May 29 1997 on her return from a recent visit to Macau. We have written to Mr Bolin for more information so that follow up actions may be taken.

P. Y. Cheng, Immigration Department, 7 Gloucester Road, Wan Chai, Hong Kong

Systems shed extra light on Japan's record

From Mr Frank Kaye.

Sir, Peter Martin, in his article "Weak link in the chain" (March 6), makes an excellent case for filtering out the Japanese threat on the basis of the distribution characteristics of any particular industry.

There is an additional dimension on which Japanese industrial success and failure can be predicted – its amenability to the manufacturing business system characterised by concepts such as *Kanban*, *Just-in-Time*, *Zero Defect*, *Total Quality*, etc.

In studies, in which we were involved in the early 1980s, we were able to characterise manufacturing into four generic types: project (such as aircraft), fashion (such as clothes), commodity (such as oil refining) and modular.

It is the last category in which the Japanese excelled. They were able to manufacture cars and electronics with an unbeatable combination of variety of product features, low cost, high reliability and short delivery lead times.

Subsequently, non-Japanese companies have copied their approach and as a result the worldwide standards of manufacturing in these "modular" industries have improved dramatically.

On the other hand, these concepts have been less dramatic in their application to other types of industry. Other factors determine the source of competitive threat – low unit costs in commodities, close customer relationships in fashion and strategic contract negotiation in project.

Frank Kaye, partner, Organisation Consulting Partnership, 27 Currier Street, London EC4A 3LT, UK

The FT Interview · Philip Condit

Flight plan from Seattle

Boeing's head tells Michael Skapinker of his plans to turn the company global

Philip Condit, chairman of Boeing, tells a story from the 1980s when he worked on the ill-fated US attempt to build a supersonic aircraft to take on the Anglo-French Concorde.

One of the problems the engineers had to deal with concerned debris getting into the engines. The supersonic team wrote a report on "foreign object damage", as the problem was known. When the report came back from the Boeing document editors, this had been changed to "non-US object damage".

Three decades on, Mr Condit says, not much has changed. The problem, he says, is not just that employees at Boeing think of other countries as exotic. They take the same attitude to take the same attitude to anywhere in the US outside Seattle, where the company has its headquarters and its most important factories.

Boeing staff talk about something as being "in-plant" or "out-plant". In-plant means Seattle. Out-plant means one of the group's other locations, such as Wichita, Kansas.

Mr Condit, who became Boeing's chief executive last year and chairman in February, wants to change all that. Over the next 20 years, he wants Boeing to become a global rather than a US company.

Boeing employees could be forgiven for thinking that being a Seattle company has served them well enough. Boeing is the world's most successful aircraft maker. Founded in 1916, it has seen many of its US and European competitors fade from civil aircraft manufacturing or disappear into larger groups.

Lockheed no longer has a presence in civil aviation. The British Aircraft Corporation and Aviation Sud of France are now part of Airbus Industrie, the European consortium which is Boeing's closest competitor.

Later this year, Boeing



Condit: "You win by moving quicker than your competition"

will take over McDonnell Douglas. While its acquisition is a large defence contractor, its commercial aircraft business, once a world force, now struggles to win 3 per cent of the world market. Boeing's takeover will not only signal the end of McDonnell Douglas as an independent maker of civil aircraft. It will also turn Boeing into the highest defence and aerospace company on earth.

Mr Condit believes, however, that Boeing cannot stand still. There are too many examples in aviation and other sectors of what has happened to companies that have tried to do that.

Last year, in a speech to Boeing managers, he described his vision of what the group would look like in 2015, its centenary year. He told them that Boeing would be an aerospace company. It would not repeat earlier mistakes such as attempting to enter the train or boat-building business.

Second, he said, Boeing would be a "global enterprise". This would mean increasing the number of countries in which it operated.

Mr Condit says he is impressed with the way oil companies have benefited from losing their national images.

"BP is probably the most global company in the world."

It is interesting to see that in the United States its nationality has begun to disappear. Almost everybody in the United States says BP and not British Petroleum. It's a local kind of company."

Royal Dutch/Shell is another group which manages to present itself as a local company in the countries in which it operates.

Would he be happy if in 20 years people did not think of Boeing as a US company? "Yes," Mr Condit says. "I believe we are moving towards an era of global markets and global companies. I think it's advantageous that your workforce, your executive corps, reflect that. I would expect the nationalities of our executives to be considerably broader."

Changing the national composition of Boeing's leadership will not be easy. The group at present has no non-American directors. There is another obstacle.

"Because we are a US defence contractor, our board members have to have security clearance. As we move in an international direction, we will have to find ways – the US government will have to find ways – of dealing with that."

Taking over McDonnell Douglas, which is based in St Louis, Missouri, will at least mean that Boeing's US geographical base will widen beyond Seattle.

"In the old Boeing, you could walk out the door and touch 90 per cent of your executives," says Mr Condit. "They were within a fairly short radius. I personally knew 95 per cent then. All of a sudden, 60 per cent of our executives are going to be non-Seattle."

The group will also need to change its attitude to those on assignments away from Seattle. "Experience away from Seattle did not help your career. If you disappeared for a while, people would say, 'Where have you been?' Now I think we can make it a valuable thing."

One of the ways that Boeing plans to increase its international exposure is through increased use of joint ventures. Boeing has worked with Japanese companies for years. McDonnell Douglas has links with companies such as British Aerospace through projects like the Harrier jump-jet.

Mr Condit sees scope for joint venture projects in China, although the Chinese have chosen European partners instead of Boeing to develop a new 100-seat jet.

One concern, he says, is that joint venture partners might steal Boeing's technology. "I'm a believer that technology transfers very readily."

During the second world war, Britain and Germany developed the jet engine simultaneously even though there was no communication between them. When communication occurs easily, technology transfer will be simple.

"I think trying to say 'I've got a technological edge and I'm going to hold on to it' is impossible. The thing that does give you an advantage is human capital and how you run the business. Yes, you can teach somebody to build parts of a very high quality. That's not the issue. People in the United States got very excited that RCA developed the transistor but the commercialisation really occurred in Japan. But if we're not smart enough to commercialise it, that's not their problem. That's our problem. You win by moving quicker than your competition, not by trying to build walls."

THE LATEST SCORES IN THE BUSINESS TRAVEL LEAGUE

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Television/Christopher Dunkley

Please do not adjust your set...

What a weekend for producer Greg Brennan on Saturday BBC1 devoted an hour and a half to his costume drama *Deacon Brodie*, and on Sunday ITV cleared the schedule between 8.00 and 10.10 pm for his production of *Jane Eyre*. Viewers in most countries would think themselves lucky to be offered one drama of this quality in a month, never mind two in a weekend from a single producer.

Deacon Brodie used comedian Billy Connolly to play the 18th-century Edinburgh carpenter William Brodie. Connolly gave us a character close to perfection, a lovable rogue who ran with the hives and hunted with the hounds, sitting on the town council by day but whoring and thieving by night.

Yet however good it looked, however funny some of the scenes, and however strong the cast (Patrick Malahide, Siobhan Redmond, Russell Hunter and more) Simon Donald's script tripped in attempting one of the most difficult tricks in drama: to play the characters for laughs against a background at least

partly tragic. The only series I know where this has succeeded is *M*A*S*H*, in which the tragedy is thrust upon the characters by fate, not through their own actions. Here there was no such factor, so there was a terrible crashing of gears when, for led to his execution cried out for clean clothes because he had soiled himself out of terror. Funny, or what?

It is hard to understand the purpose of such graphic realism when, despite the headline claim in the BBC's publicity material that this was "the true story of one of Scotland's most notorious characters", the decision had been taken to invent a happy ending by allowing Brodie to escape death and flee with his beloved to France. According to the *Dictionary of National Biography* ("Brodie, William, burglar, cabinet maker... hanged,

one of his confederates turning king's evidence") no such fairy-tale ending occurred. If you are willing to disregard such a fundamental fact of life, why insist upon rubbing our noses in others so much less significant?

In *Jane Eyre* top honours went to Claran Birds who managed almost entirely convincingly to combine all those paradoxical characteristics which tend to be called for in heroes of early-19th century fiction: a bully yet a gent, a man of integrity yet a bigamist and a liar, and so on. Cranking the yarn into two hours left too little time to create the mood or the melodrama which this, the second most powerful of the Brontë stories, ought to convey. Yet to say that is, in terms of popular filmmaking, to be hypocritical. It is only because British television has now taken, once again, to giving us this sort of costume drama in

some quantity that we have a broad basis for comparison and can say that, although good, this was not the very best.

Mark Thompson, the new controller of BBC2, has been quoted this week as saying that he wants "younger anchor points" for the network "for under 25s". Does anybody in television realise that the average age of viewers is going up, not down? That there are fewer and fewer young viewers and more and more over 50? Thompson is 39. Perhaps he thinks all those over 50 are in their dotage. He should realise that those of us born in the 1940s - Melvyn Bragg, Felicity Kendal, the Bee Gees, Joanna Lumley - are not only not stumbling about on Zimmer frames, but are actually

much younger mentally than all those boring people born between 1960 and 1980. The rap generation are already supplied with more than enough special programmes (have you seen the pitiful *Girlie Show*?) and what is needed is more fun-loving stuff for the over-50s.

Television is not the greatest medium for polemics, but the current run of *Counterblast* (BBC2, Wednesdays) is proving an excellent series, not least because the arguments put forward are mostly unexpected and yet surprisingly persuasive. Sue Smith's belief that keeping pets is almost always wrong - bad for us and for the animals - was new to me, and yet in half an hour she had me wondering. Nigel Harris's argument that immigration is invariably good for the host nation, that the British were crazy to bar the Hong

Kong Chinese, and that immigrants mean vivacity, variety and sheer profit, was less novel but still something that badly needs saying amid the perpetual muzzling chorus of anti-immigrant propaganda.

Does anybody know anybody who has been re-tuned to deal with Channel 5 (supposedly launching at the end of March) and who can now receive the CS test transmissions clearly as well as receiving all the old signals as clearly as before on all their equipment? Here is my experience: Winter 1996: a CS re-tuner spends 1½ hours in our house and leaves saying that all television and VCRs will now be able to receive CS. January 1997: postcard from CS gives dates of off-air transmission tests. Unable to detect these tests on any of our equipment. February 3: phone CS re-tuners

to say we cannot see test transmissions. February 17: since nothing has happened, phoned again. February 18: Still nothing, so phone again. Told a supervisor will contact us. February 25: phone yet again. Told a re-tuner will call between 9.00 am and 1.00 pm on March 3. March 3: no re-tuner. Phone to ask why. No explanation. Make new appointment for March 7. March 7: no re-tuner. Phone to ask why. No explanation. Point out this is their second no-show. Told that a supervisor will be informed, and re-tuner will come March 11.

March 6: start inquiring among friends and colleagues: one says she can now see CS test transmissions but all her other channels have "gone fuzzy". Several say their old channels are still fine, but they can see only a vague outline on the CS test picture. No one claims to be able to receive clear signals from CS and all the old channels. March 11: re-tuner arrives and makes the sets in sitting-room and bedroom work, but not those in study or top floor. So says cable company must re-tune their equipment in these rooms. Does anybody know anybody...

Perth Festival/David Murray

Year of new images

The Perth Festival teams with theatre: new plays from local companies, student theatre, "street" theatre, avant-garde European troupes, and this year two visiting British companies as well. The British Council is celebrating its 50th year in Australia with *newIMAGES*, a year-long exchange programme which includes cultural and sporting events, scientific and technological symposia and much else. Under its auspices, the Royal Shakespeare Company and the West Yorkshire Playhouse are both touring the country.

Adrian Noble's imaginative RSC production of *A Midsummer Night's Dream* arrived in Perth just as I was leaving, but I saw the West Yorkshire Playhouse company in *The Boy*. Wole Soyinka's angry comedy about corruption and destitution in present-day Lagos is an odd amalgam of moral fairy-tale, raunchy local colour and frank protest-tract.

I thought Jude Kelly's

brave staging just about held it together, along with Anthony Ofoeghu's deft, wary performance as the upper-class Nigerian who has thrown in his lot with the "area boys" of Lagos - small-time thieves and extortionists whose petty crimes help them survive amid the régime's far greater inhumanities.

Soyinka's illusionless deucey tells strongly. There is a lot of singing, almost Caribbean-style; at the end, however, everybody swings into real African music, and suddenly we realise that everything before has of course been played out in foreign fancy-dress.

The *newIMAGES* project also supported an expansive celebration of John Taveener's music: six concerts partly or wholly devoted to it, one of them a performance of his new "singing tableau" *Let's Begin Again*, a co-commission by the Perth Festival with those of Norwich and Greenwich, and the Paris "Festival d'Art

Sacré". With a text by Taveener's spiritual adviser Mother Thekla, the music occupies much the same musical territory as Taveener's famous hit *The Protecting Veil*.

The latter was performed here by the cellist Raphael Wallfisch with panache, interestingly different from the serenity of its original soloist Steven Isserlis. The Perth mezzo Fiona Campbell was a loyal, distinctive soloist both as Mother Thekla's expiring Virgin Mary and in *Agathon* - a favourite piece of Taveener's, apparently, though I find it too baldly schematic to hear it as real music at all. Lionel Friend had wisely been imported to conduct the West Australian Symphony in all the pieces with orchestra, which he did with expert sympathy.

The chimes and gongs resounded, the bass-pedals went on and on, the strings rose to their few bright moments; the selfless, devotional manner that Taveener now favours was finely sustained, whatever one might think of it.



Refreshing: Paul Hilton as Jesus in 'The Passion', the second part of Katie Mitchell and Edward Kemp's new version of 'The Mysteries'

Theatre/Alastair Macaulay

God at play

The most marvellous policy currently operating at the Royal Shakespeare Company is in operation at Stratford-upon-Avon's The Other Place. The young director Katie Mitchell, who is in charge of it this season, has made it a locale for medieval English drama: first, *Everyman* (directed by Kathryn Hunter and Marcello Magni), and now Mitchell's own two-part staging of *The Mysteries*, in new versions by Edward Kemp and herself.

The season casts light, as it is meant to, on the history of English drama. These early plays have a direct and economical poetic eloquence that is modern in the way that Shakespeare often seems surprisingly modern; and they have too a religious and existential seriousness that we seldom associate with English theatre.

The simplicity and economy of Mitchell's account of *The Mysteries* (each part, *The Creation*, *The Passion*, lasts three hours) are, again and again, breathtaking. Although there are many moments when surprising twists in the old texts and/or their new interpreters refresh the narrative for us, the best passages of all are when completely familiar episodes seem to be happening before us for the first time. There is little

by way of character acting. Each player plays several parts, but with only slight changes of costume, gait or voice.

Most astonishing of all is the conviction with which Mitchell's actors bring off the extreme speed of the God/Abraham/Isaac story. God arrives before Abraham and calls him by name; but Abraham looks at him as at a stranger and simply asks "Who art thou?" God replies, explaining his identity in two quick lines, and Abraham responds at once: "To hear Thy will ready I am; What'er it be it shall be done." God's will, however, is that Abraham must prove his love of Him by slaying his own son. He takes just three lines to express this; Abraham, responding, takes just seven to express his utter devotion to his son and his preparedness nevertheless to obey God's will ("I love my child as my life; Yet I love my God much more").

Here the two actors are David Ryall and Richard Lynch, the two most enthralling actors in a gener-

ally excellent cast. Ryall gives us - astonishingly - God at play. During Abraham's anguished preliminaries for the sacrifice, Ryall/God seems to sleep. But, when the angel stops Abraham from slicing his son's neck, he/he rolls across the floor toward Abraham, filled with glee to have discovered and to have tested so devoted a servant. Lynch is an Abraham of complete transparency. He utters, whether to his God or his son, what is in his heart. Minimum fuss, just open immediacy, so that our eyes, at several stages of this story, are suddenly stilled by tears.

Curiously, the Crucifixion and Deposition are among the episodes omitted from Part Two, *The Passion*. Here the emphasis is all on Jesus and his disciples. At all points, Jesus is teaching, teaching, teaching, and the disciples keep struggling to understand. This part flags a little just before the end. Two slight problems are that Paul Hilton, an inter-

estingly ungraceful Jesus, overdoes the improvisatory now-what-shall-I-say manner of Christ, and that he is too free with the text (as he is led off, he murmurs "I love you" to Pilate).

Other departures from the text comes in overlapping several scenes near the end, so that Peter overhears Judas repent, and Jesus carrying his cross then hears Peter deny him thrice. All a tad too neat. And yet the story stays fresh, uncluttered, serious. Hilton gives us Jesus's happy surprise, for example, on curing the sick; and it reminds us of the artless surprise with which God reacted to the growth of the first trees, or to Abraham's supreme obedience.

Kemp's text, in quatrains verse with changing rhyme schemes, gives us both medieval parlance (full of assonance and alliteration) and modern directness. "Grant mercy, good men, in good pray! To bless this bread, I thus pray." Mitchell fuses text, acting, design in easy harmony. Like so much that this director does, *The Mysteries* is an object-lesson in ensemble, economy, precision. This unbeliever followed it with complete faith.

In RSC repertory at The Other Place, Stratford-upon-Avon.

The similarities between Michael Punter's *The Wolves* and Michael Ondaatje's *The English Patient* are disconcerting.

Both are centred upon a mysterious stranger who survives a plane crash, and each deals in the currency of ideas around nationalism and internationalism, ownership and freedom, and misplaced love. Ondaatje's story is set primarily in the desert. Punter however opts for harder climates: a remote pig farm in the east European Republic of Byaravia.

Punter is clearly fascinated by dramatic conflict through opposition. On a simple level, Anya (Jane Hazelegrove), daughter of the pig farmer Ody (Silverster Morand), is a vegetarian, an early indication of the touches of humour Punter uses to undercut the politics his characters are tussling with.

The crash survivor (a resolute Crispin Redman) turns out to be an English profes-

Theatre
Crash survivor

sor (or is he...?) but although both parties speak the same language, there is comedy in their lack of communication. Morag Hood is delightfully devious as a busybody with designs on Ody, her ex-husband, while Tom Goodman-Hill is amusingly earnest as he flops forlornly about Anthony Lamble's concise wooden set worrying about being "a mummy's boy" and protesting his love for Anya. Hot on the heels of the mystery man comes Nicholas Blane doing a hilarious Peter Ustinov-style turn as the district's former mayor whom everyone thought was dead.

The mix of absurdity and political ideology sounds vaguely reminiscent of Gogol's comedy *The Govern-*

ment Inspector but the potential of the text isn't quite realised. This is partly due to the rambling nature of the plot and partly the fault of the production. Director Simon Usher pays Punter the compliment of taking his play at face value, but less reverence would shake it into more vivid life. A faster, more vigorous juxtaposition of ideas would produce a greater sense of friction which in turn would push the rather sluggish pace.

Despite pleasures along the way, in the end *The Wolves* is stymied by its own ambitions. Nonetheless, its a huge relief to find a young playwright writing compassionately about people struggling with genuine concerns about the past, present and future, rather than merely flirting with fashionable issues.

David Benedict

At the Bridewell London EC4 (0171 936 3456) and touring.

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AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor Claus Peter Flor and cellist Jean Decroos perform works by Berlioz, Caplet and Tchaikovsky; Mar 14, 15, 16

BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Philharmonie der Nationen: with conductor and pianist Justus Franz perform works by Weber, Mozart and Schumann; Mar 14
● Philharmonie Berlin - Groesser Saal & Kammermusiksaal Tel: 49-30-2614383
● Rosemarie Lang and Helmut Oetzel: the mezzo-soprano and pianist perform works by Schumann and Brahms; Mar 15

OPERA
Deutsche Oper Berlin Tel:

49-30-3438401
● Susannah: by Floyd. Conducted by Marie-Jeanne Dufour, performed by the Deutsche Oper Berlin. Soloists include Karan Armstrong and Dean Peterson; Mar 15

BORDEAUX

THEATRE
Théâtre du Port de la Lune Tel: 33-56 91 01 61
● Le Barbier de Séville: by Beaumarchais. Directed by Jean-Louis Thamin and performed by the Centre Dramatique National Bordeaux-Aquitaine. The cast includes Loïc Brabant, Amélie Gonin, Yves Gourvil, Robert Plagnol and Pierre Vial; to Mar 15

BOSTON

EXHIBITION
Museum of Fine Arts Tel: 1-617-267-9300
● Face and Figure in Contemporary Art: display featuring the work of 48 artists from the early 1970s to the present day. The exhibition examines changing artistic representations of the human figure and face. Artists with work represented include Hockney, Ople, Freud, Lichtenstein, Mapplethorpe and Kiki Smith; to Mar 15

CHICAGO

THEATRE
Steppenwolf Studio Theatre Tel: 1-312-3351888
● Time To Burn: by Mes.

Directed by Tina Landau and performed by Steppenwolf Theatre Company. The cast includes Alexandra Billings, Jeb Brown, Frankie Davis and Mariann Mayberry; to Mar 30

DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● National Symphony Orchestra: with conductor Alexander Anissimov and pianist Hugh Tinney perform works by Rachmaninov; Mar 14

FRANKFURT

DANCE
Städtische Bühnen Oper, Ballt, Schauspiel Tel: 49-69-21237444
● Artfact: choreographed by William Forsythe to music by J.S. Bach and Crossman-Hecht, performed by the Ballet Frankfurt; Mar 15, 16

EXHIBITION
Museum für Moderne Kunst Tel: 49-69-21230447
● Views from Abroad: European Perspectives on American Art II: the second part of the gallery's exchange of exhibitions with the Whitney in New York. Artists featured include Andre, Baldessari, Caga, da Kooning, Hopper, Johns, Lichtenstein, Nauman and Pollock; to May 4

LONDON

AUCTION
Bonhams Chelsea Tel:

44-171-3933900
● Architectural Antiques and Related Items: sale featuring different styles of architectural antiques, including fire surrounds, chimney pieces, fire grates and iron, stained glass, chandeliers, fenders and wall lights; Mar 13

CONCERT

Royal Festival Hall Tel: 44-171-9604242
● London Philharmonic Orchestra: with conductor Roger Norrington and mezzo-soprano Sarah Walker perform works by Haydn and Britten; Mar 14
Wigmore Hall Tel: 44-171-9352141
● Monica Groop: the mezzo-soprano performs works by Brahms and Ravel; Mar 15

EXHIBITION

Dulwich Picture Gallery Tel: 44-161-6935254
● Dramatic Art: Theatrical Paintings from the Garrick Club: exhibition of paintings collected from the London theatrical club, featuring works by Johan Zoffany, Sir Thomas Lawrence, George Clint and Samuel de Wilde; to Mar 16

LYON

CONCERT
Opéra National de Lyon Tel: 33-4-72 00 45 00
● Juilliard Quartet: perform works by Haydn, Bartók and Brahms; Mar 14

NEW YORK

EXHIBITION

Brooklyn Museum Tel: 1-718-638-5000
● The Furniture of George Hunzinger: exhibition examining the work of furniture designer Hunzinger, comprised of 50 objects, including a rare daybed and chairs and original 19th century patent drawings; from Mar 14 to Jul 6

OPERA

Metropolitan Opera House Tel: 1-212-562-6000
● Billy Budd: by Britten. Conducted by Charles Mackerras, performed by the Metropolitan Opera. Soloists include Philip Langridge, Wayne Croft and James Morris; Mar 14

PARIS

CONCERT
Théâtre du Châtelet Tel: 33-1 42 33 00 00
● Briggitt Engerer, Dmitri Sitkovetsky and David Geringas: the pianist, violinist and cellist perform works by Tchaikovsky, Rachmaninov, Prokofiev and Shostakovich; Mar 14

EXHIBITION
Hotel de Sully Tel: 00-33 142744775
● Portraits d'un esthète De Marlene Dietrich à Mick Jagger: exhibition of work by photographer Cecil Beaton who produced influential fashion shoots for Vogue magazine and Harper's Bazaar. The display includes two self-portraits and portraits of such notables as Marlene Dietrich, Greta Garbo, Gary Cooper and Jean Cocteau;

to Mar 16

ROME

EXHIBITION
Galleria Nazionale d'Arte Moderna Tel: 39-6-322 981
● Alighiero e Boetti - L'opera Ultima: exhibition marking the second anniversary of the Italian artist's death and featuring four large-scale works; "Altamondo de 1 a 100 e viceversa", "Oeuvre postale", "Tutto" and "Tappeto", which were among the last works created by the artist; to Mar 16

OPERA
Teatro dell'Opera di Roma Tel: 39-6-481601
● Don Quixote: by Massenet. Conducted by Alain Guingal, performed by the Opera di Roma. Soloists include Ruggero Raimondi, Anna Caterina Antonacci and Alain Vernhes; Mar 16, 13

VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Il Barbiere di Siviglia: by Rossini. Conducted by Allemandi and performed by the Wiener Staatsoper. Soloists include Kirchschlager, Szep and Groves; Mar 15

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Wednesday March 12 1997

Challenge for Mr Chubais

Mr Boris Yeltsin's decision to sack his entire government - with the exception of Mr Viktor Chernomyrdin, the prime minister, and Mr Anatoly Chubais, the newly re-appointed first deputy prime minister - is bold. But whether it will mark a return to coherent and determined reform depends as much on the resolve of Mr Chubais as on the fulfilment of the president. The new deputy premier needs Mr Yeltsin's backing. First, however, he must create a team and a programme worth the president's support.

Mr Yeltsin's recent decisions show he has realised that the period since the presidential election last July has been wasted. For all his loyalty, Mr Chernomyrdin is incapable of giving Russia the government it requires. Yet the prime minister cannot be removed because of the strength of the Duma's opposition to Mr Chubais. Mr Yeltsin must, therefore, give Mr Chubais the power to choose the team he wants if the new government is not to be as ineffective as its predecessor.

Mr Chubais, in turn, should choose people who are committed to reform and possess integrity and intellect. It would be good to see Mr Yegor Gaidar and Mr Boris Fyodorov back in government. It would also be sensible to include supporters of Mr Grigory Yavlinsky, the erstwhile candidate for president.

What is needed, in short, is a government that exploits all the limited available talent.

No less important is removal from government of people with direct connections to large commercial interests. The confusion between government and business leads to bad economic policy, corruption and profound cynicism in the population. Such action would put Mr Chubais in opposition to some of his allies. So he must succeed - and will not endure - if it is seen to be a mask for the looting of the state.

The new government's programme must concentrate on attacking corruption and tax evasion, eliminating wasteful subsidies, paying its arrears, privatising land and promoting competition and free entry for new business. With a credibly balanced budget, interest rates should continue their decline to levels consistent with fresh borrowing. Entry of new business is the best way to expand output and increase competition with the industrial dinosaurs.

Punishment of corruption is essential if the ordinary citizen is to be persuaded to pay taxes. What needs to be done has long been obvious. But the will has been lacking. As a result, Russia is now a laggard among the economies in transformation. This is Mr Chubais's chance to turn the giant around. It must be seized.

Temps perdu

Only in fairy tales do kings pass laws requiring their subjects to get up an hour earlier every morning. Any modern state which attempted such a thing would be deemed to have plunged into totalitarian lunacy. Yet almost all modern states in the temperate zone do pass laws which have that effect, by the simple expedient of announcing that summer time will begin on a certain date.

Some states got into the habit of doing this during one of the world wars. Others waited until the oil shock of 1973. The main reason has always been the same, to take economic advantage of the longer daylight hours. Left to themselves, it seems, human beings have an irresistible propensity to stay in bed in the morning and stay up late at night. Governments acted to correct this by moving the clocks forward one hour. In western parts of the EU, this actually means they are on double daylight saving, since even their winter time (except in the UK and Ireland, which stick to Greenwich Mean Time) is one hour ahead of the sun.

And now, *diabla*, the French have changed their minds. Brimming with nuclear energy, France apparently no longer cares about saving electricity. Instead she has discovered that changing the clocks twice a year "perturbs the biological

rhythms of children" and even reduces the milk output of cows.

But can one state, especially an EU member, nowadays decide such a matter on its own? Yes, say the French, invoking subsidiarity. No, say their partners, with some awkward throat-clearing from London. Many kinds of business, but most obviously international transport, are inconvenienced if there are too many different time zones in a small area. Even more so, if the time difference between zones is not constant throughout the year.

Yet these spring and autumn rituals, though of relatively recent vintage, quickly establish themselves in people's routines. It took many years of negotiation for EU members to agree on a single date when summer time would end for all of them. Can such a pivotal state as France, to which or through which all European routes must lead, now be allowed to wreck it by going *couvert seul*, requiring endless footnotes and special pages in rail and airline timetables?

No. Better let French farmers get up an hour later (by the clock) in summer - or an hour earlier in winter, if they prefer. As for the bio-rhythms of French children, they must surely learn to adjust to bigger shocks than a one-hour time-change every six months.

Slow justice

Attempts to identify and compensate victims of personal pensions mis-selling have been proceeding at a snail's pace. So the frustration felt by the House of Commons treasury committee when questioning the heads of the Personal Investment Authority was understandable.

The PIA, self-governing regulator for the sector, believes that 580,000 of a total of 5.6m personal pensions were sold without investors being properly briefed, mainly as long ago as 1988. So far, only 37,000 of these cases have been considered in detail. And a mere 7,000 have been compensated, by an average of about £9,000.

The PIA said last week that it "expected the companies involved to complete a substantial number of cases by the end of 1997". On Monday, the authority admitted it had no clear idea when the review would be completed.

The problem arose because pushy personal pensions salesmen failed to ask whether prospective clients were members of company schemes or were eligible to join them.

If they were, they would probably have been entitled to a better pension out of the company plan. For example, nearly all employees who moved out of a company plan forfeited the employer's contribution, which averages 13-14 per cent of earnings.

The procedures for identifying victims of mis-selling were

introduced in 1983. Last November it was acknowledged that these had failed, and the system was simplified. But this has done little to speed things up.

Unfortunately, the sanctions which the PIA can impose on its members are limited. And the assessment of compensation puts a heavy burden on personal pension members and their current or former employers, who must calculate the benefits employees would have received had they stayed in the scheme.

Compensation is thus often delayed by disagreements between personal and occupational pension providers over the cost of reinstatement in the company plan.

There are three important conclusions to be drawn from this debacle. First, ways must be found to hasten compensation. If full reinstatement in a company scheme is not possible, insurers should be allowed to offer better personal pension benefits instead, using a standard regulatory formula.

Second, the argument for an overhaul of the Financial Services Act is greatly strengthened by this failure of self-regulation. It may be necessary to rationalise the complex two-tier structure of regulation.

Finally, the government's "basic pension plus" proposal for compulsory personal pensions will prove a very hard sell until these past injustices have been remedied.

Uncertain map of the future

Despite EU and Nato pledges, doubts remain over how to manage their historic enlargement, say Lionel Barber and Anthony Robinson

Mr Lech Walesa, former president of Poland, used to joke that if he could not have American generals on Polish soil, a General Motors plant flying the Stars and Stripes would do.

Today, GM has not only acquired a plant in Warsaw from a formerly state-owned car manufacturer, it is building a new \$300m (£240m) assembly plant in Silesia in the south of the country. Poland is among the front-runners to join the Nato alliance and the European Union. Mr Walesa's dream of dual membership in the west's two most exclusive clubs seems secure.

Yet the prospects for Nato and EU enlargement into central and eastern Europe are not quite so clear-cut. Despite public pledges from both organisations about early entry dates, private doubts remain in western Europe about how to manage two historic developments which will redraw the map of Europe.

The relationship between Nato and EU expansion will be the chief theme at this weekend's meeting of EU foreign ministers in Appledorn, the Netherlands - the first chance for months that ministers have had to debate "the new European security architecture".

Largely due to American cajoling, the timetable for Nato expansion still looks intact. The alliance is due to agree to select the first group of new members at its Madrid summit in July - most likely Poland, the Czech Republic and Hungary - and admit them in time for Nato's 50th anniversary in mid-1999.

The main obstacle to Nato enlargement is the political consequences of extending western security guarantees to areas previously under Russian influence. The sweeter for Russia is a charter providing for closer co-operation and consultation. But if there is no deal with Moscow by July, Nato says it intends to wrap up negotiations with the new members by the end of the year.

Nato's target date is bound to put pressure on the EU to speed up its preparations for admitting the 10 candidates from central and eastern Europe: the Czech Republic, Hungary, Poland, Slovakia, Slovenia, the three Baltic states, Bulgaria and Romania.

But eastern enlargement remains hostage to the EU's internal agenda, which is more contentious than at any time in its 40-year history. In the next six to 12 months, EU leaders face decisions on institutional reform at the intergovernmental conference (IGC) reviewing the Maastricht treaty; economic and monetary union (EMU); and reform of the EU budget.

These issues are separate in theory but linked in practice. Thus, the pro-EMU camp is warning that a delay in launching the single currency beyond the planned date of January 1 1999 could freeze plans to admit new members. Spain has dropped hints that it could block enlargement if it does not receive assurances that generous regional aid from Brussels will be maintained.

Greece has warned it will hold up enlargement if the EU tries to delay accession talks with Cyprus. Turkey has threatened to block Nato enlargement unless the EU offers a promise of eventual membership - a prospect rebuffed last week by centre-right leaders led by Chancellor Helmut Kohl of Germany.



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Such issues point to doubts within the 15-strong Union about expanding membership to 25-plus countries. The new Union would comprise a population of nearly 500m, stretching from the Arctic circle to the Aegean, from Barcelona to Bucharest. The 10 eastern applicants are poor, former command economies with unstable neighbours, potentially explosive minority problems and a combined gross domestic product less than that of the Netherlands. Taking in these countries will be far more complicated than the admission of Greece, Spain and Portugal in the 1980s.

The first difficulty lies in avoiding decision-making paralysis in a bigger, more diverse Union. Ostensibly, the Maastricht treaty review conference will offer solutions by weakening the rule of unanimity. More majority voting is one outcome; more important is the application of "flexibility", allowing some countries to integrate more closely without being held back by reluctant members.

The second difficulty lies in the political calendar. EU leaders have pledged to conclude the conference negotiations by mid-June. This deadline looks tight - largely because the negotiations are unable to make headway before the UK general election, expected on May 1.

Yet failure to reach a deal in the conference would force a delay in unveiling "Agenda 2000", the European Commission's overall recommendations on adapting the old enlargement. This will provide opinions on the merits of the eastern applicants and include proposals for reform of agriculture, regional aid and a new five-year budget package to

run between 2000 and 2005. Because member states are deeply divided on all these issues, the Commission proposals are likely to determine the shape of the final outcome.

The European Commission is assuming little or no increase in real terms in the EU budget. The new budget discipline is driven partly by fiscal strictures facing countries in the future euro zone; partly by the prohibitive cost of extending an unreformed common agricultural policy and regional aid to a poor east.

Besides, the aspirant members are not ready to take on the *acquis communautaire*, the complex set of rules ranging from minimum social and environmental standards in the single market to the application of competition law. The solution, therefore, lies in long transition periods.

"These countries have skeleton public administrations and skeleton budgets," says a senior European Commission official. "There are serious questions about their ability to administer and enforce the *acquis communautaire*."

The third difficulty is that EU leaders have still to decide whether to open accession negotiations with all 10 applicants at the same time, or select countries at the Luxembourg summit in December where all the candidates will be present.

The Commission and the majority of EU countries appear to favour "differentiation". But EU leaders have barely addressed the question of how to deal with those excluded from the first round of enlargement, especially if these countries fail to make the first Nato cut as well. Bulgaria and Romania, where the governments have recently launched precarious reform efforts, are obviously at risk.

The mood in central European

capitals is much more confident than in Brussels. The word in Budapest, Prague and Warsaw is that talks for full entry into the EU will begin in early 1998, six months or so after the end of the intergovernmental conference.

At most, officials concede that the detailed sectoral negotiations - over nitty-gritty issues such as agriculture, freedom of movement and access to regional aid - will be a hard slog.

Adding to Germany, the cost-conscious champion of enlargement, Mr Jan Trussczynski, Poland's ambassador to the EU, says: "Even those countries with a strategic stake in admitting Poland will have practical, technical difficulties."

"Increasingly, we say what matters is the content of the negotiations and the quality of the outcome. If this means the negotiations take longer, we have no objections to arriving in Brussels around 2001-02."

Nevertheless, some of the presumed advantages of EU membership such as freedom of movement of people look double-edged from eastern Europe. West Europeans may fret about Czechs and Poles flooding their labour markets at times of record unemployment. But governments and employers in the heart of Europe are worried about brain-drains and their impact on growth.

It is a similar story in agriculture where extension of the common agricultural policy would destabilise the Polish economy through an inflationary surge in farm incomes. This would force up land prices, divert investment from the modernisation of industry and create a new class of landowners. The same would apply to Hungary, but less

so to the Czech Republic. Mr Endre Juhasz, Hungary's ambassador to the EU, dismisses fears that the central Europeans will be compromised by taking on the *acquis communautaire*. Rapid privatisation and heavy foreign investment means three-quarters of Hungary's exports now come from wholly or partly-owned foreign plants. "The enterprises ensure our integration and ability to compete in the European market," he says.

The stream of foreign investment and the speed with which the central Europeans shifted their trade from east to west following the collapse of the Soviet empire mean the region is more integrated with western markets than seven years ago.

The Czech Republic, Poland and Hungary carry out well over 60 per cent of their trade with the EU. Their commitment to free trade and investment liberalisation has been strengthened by their recently acquired membership of the Organisation for Economic Co-operation and Development and the World Trade Organisation.

Some senior central Europeans wonder what further value they can expect from full EU membership, especially if it means taking on the burden of the *acquis communautaire* and losing competitive advantage. Such doubts are reinforced by senior EU officials who ask why central Europe wants to become more linked to the slowest growing of the world's big trading blocs.

But these are mere musings. Faster integration into both the EU and Nato is still seen as a passport to security and prosperity, filling the vacuum between Germany and Russia which has haunted the continent in the 20th century. The will to join the west is as strong as ever.

OBSERVER

A big noise for Basle

■ Athens, "Four" Verplase is a natural choice to succeed Wim Duisenberg as president of the Bank of International Settlements, the Basle-based club for central bankers.

A numbers man down to his fleshy finger tips, Verplase has run the National Bank of Belgium since 1985, a period in which the country has consolidated its position as a front-rank candidate for economic and monetary union.

Verplase's trademark is a guttural chuckle mixed with the occasional "ooh-la-la" to describe the gyrations of currency markets. But behind the governor's affable manner lies a man of discipline: he has stuck to Belgium's policy of shadowing the D-Mark through difficult times.

Like Jean-Luc Dehaene, the Belgian prime minister, Verplase made his name as a backroom operator, both served as chief of staff to Wilfried Martens during his tenure as Belgium's premier in the 1980s. Indeed, Verplase is more inclined to dip into politics than most of his shadowy central banker colleagues. He has meant the occasional "ticking-off" for politicians which seemed to tread on

politicians' turf.

Verplase's answer is that central bankers do not exist in a political vacuum; the public must be carried along, too. Sounds like sound advice for Wim Duisenberg, soon to succeed Alexandre Lamfalussy as president of the European Monetary Institute and favourite to head the future European Central Bank.

Prudent future

■ It is the year 2000. The brave new world of financial services is dominated by Millennium Financial Group, with a market capitalisation of \$120bn. Morgan Stanley Dean Witter, augmented by the acquisition of credit card group MBNA in 1994, has thrown itself into another merger of equals, this time with Chase, the first deal between a commercial bank and a securities firm since the 1996 repeal of the Glass-Steagall law which outlawed such marriages.

Not a futuristic flight of fancy, but a recent piece of research by analysts at Prudential Securities in New York. While the picture it paints is a work of the imagination, "it's quite possible," argues Rachel Madan, senior bank analyst at Prudential. The millennium vista also includes the newly merged American Express-Merrill Lynch, Dresdner Bank-Salomon and Deutsche

Bank-Alex Brown. Sorting out the resulting culture clashes should take the rest of the next century.

Due south

■ Next time you buy a bottle of Aussie plunk, the chances are it will come from South Australia. But there is more to the region than sunshine, sheep and spicy shrimp; that, at least, is the message being peddled by the state government.

Temporary housing, cheap jeans and a "meet-and-greet" service at the airport are on offer as part of a drive to lure skilled immigrants to the sunny south. South Australia is the only state in the country offering immigrants both accommodation and financial incentives.

But the bigwigs in Adelaide have their work cut out to compete with the glamorous - east by Australian standards - east coast. About 80,000 people settle in Australia each year, but most are drawn to the bright lights of Sydney and Melbourne. South Australia attracted a mere 3,000 immigrants last year - hardly enough to support its ambitions as an economic powerhouse.

As well as the hostess, the state's economic development offices have also launched a sunshine-yellow Internet site to get their point across. Industrious Brits are the main

targets - thanks to the common link - though workers from Hong Kong, India and eastern Europe are also on South Australia's shopping list. For the record, IT, software and precision engineering skills are most in demand. If you've got a masters degree in sheep-shearing, don't even bother applying.

Deutsche Lang

■ Just in case the locals don't understand his point, UK trade and industry minister Ian Lang will tomorrow be in Germany to do a spot of social chapter bashing - in German. The self-styled chief executive of UK plc will travel to what ministers see as the heart of Euro-corporatist thinking to spread the gospel of flexible labour markets.

The event, at the Düsseldorf headquarters of the ECU, the German employers' federation, will be the first time anyone can remember a British cabinet member delivering a speech in the local vernacular. But isn't that going a bit native, a bit *communitarian*? Not a bit of it, says an aide. "He certainly wants to sound polite, but he wants to get across the message in the clearest possible terms. It prevents misunderstandings if they hear it in their own language."

Financial Times

100 years ago

Prospect of War
The position in southern Africa is a simple one, though complications are likely to arise in unravelling it. On the one hand you have 50,000 Englishmen or women claiming the protection of England, ground down, oppressed and tyrannised over by (taking their own figures) 20,000 dogged, uneducated and determined Boers. This is what a Boer will tell you today - "You Englishmen were driven out by us in 1881, and we will drive you out again if ever you dare again to show your faces in the Transvaal."

50 years ago

The American Economy
A report on the US production outlook for 1947, issued by the Office of Temporary Controls, expresses qualified optimism regarding the continued economic good health of America. It is expected that wage rates will rise in the spring; that prices of agricultural products will decline; that building activity and output of durable consumer goods, particularly automobiles, will increase for at least most of the year; and that the present high level of expenditures on new plant and equipment will continue.

COMPANIES AND FINANCE: EUROPE

KPN benefits from overseas growth

By Gordon Cramb
in Groningen

KPN, the Netherlands' privatised post and telecoms utility, increased net profits 9.1 per cent to F12.46bn (\$1.28bn) last year, as expansion abroad compensated for the incursion of competitors on its home ground.

Mr Wim Dik, chairman, said the company expected "considerable" growth in earnings for the current year, as it continued its international development strategy.

The acquisition late in 1996 of TNT, the Australian-based parcels group, meant that one-third of group sales would come from outside the Netherlands.

Revenues at F121.33bn were up 10.6 per cent, a record rate of growth, even though they did not include any contribution from TNT.

KPN is to lose its domestic monopoly over basic fixed line services in July, although several regulatory issues remain unresolved.

It has made an appeal to the government over inter-

connection rates among rival services, along with two future competitors which are building their networks: Telfort, a joint venture between BT of the UK and the Dutch national railways, and Enertel, a consortium of regional energy companies.

The three want less favourable charges imposed on providers that have not been required to invest in a national network.

Competition in Dutch telephony made itself felt last year through a drop in

KPN's market share for international calls, where business users already have a choice. Revenues from that segment fell by F170m, or 7.2 per cent, the company said, as price cutting set in.

Subscriptions to its mobile service grew 36.4 per cent, but mobile customers were making fewer calls and at lower prices. Start-up costs meant multimedia services lost F142m.

Losses at affiliates were down from F183m to F160m as a continued drain from its Unisource tie-up with other

national operators and AT&T of the US was offset in part by better inflows from the Czech Republic, Ireland and Indonesia.

Operating profits from telecoms were F13.46bn, up 8.7 per cent, on a 9.3 per cent sales growth to F142.93bn.

The postal side produced operating income 30.8 per cent ahead at F1.943bn, as revenues grew 10.4 per cent to F1.671bn.

Net earnings per share were F15.29 against F14.69, and the total dividend is F12.85, up from F12.61.

UAP set to post FFr6bn losses

By Andrew Jack in Paris

Shares in UAP, the French insurance group, rose yesterday on news that UAP, the rival which it took over at the start of this year, would report losses, after provisions, of FFr6bn-FFr7m (\$1.04bn-\$1.23bn) for 1996.

The charge would allow a "once and for all" clean-up of UAP in its final set of results as a separate company. The provisions follow UAP's first ever losses after heavy provisions in 1995, of FFr2.1bn. It should help it handle restructuring, property and insurance charges.

Axa-UAP will report combined figures from the start of this year. Its combination awaits shareholder approval in May.

Axa refused to comment on the UAP figures yesterday, which were reported in the French newspaper *Les Echos*. But it said it agreed with analysts' estimates that its own 1996 net profits would be in the range FFr3.6bn-FFr3.9bn. That would allow it to absorb much of any loss from UAP.

Axa-UAP has unveiled an executive committee, and appointed several outsiders to top jobs, including Mr Denis Kessler, head of the French federation of insurers, and Mr Donald Brydon of BZW.

The group is also considering reducing its stakes in Elf, the oil group, and Banque Worms, the troubled property bank owned by UAP.

EUROPEAN NEWS DIGEST

Pathé moves into the black

Pathé, the French media group created from the share split of Chargeurs last year, yesterday reported net income of FFr186m (\$32.27m) last year after re-formula losses of FFr639m in 1995. Turnover jumped by two-thirds to FFr1.8bn after the integration of its Renai Productions subsidiary into the accounts, the effects of the first full year of its Dutch cinema arm, and the consolidation in the second half of last year of *Liberation*, the left-wing French daily newspaper.

Pathé became 66 per cent owner of *Liberation* in 1996 after a financial restructuring, and the group said the paper had met its target of operating break-even by several million francs and was on course for a net profit in 1997. The figures came in spite of a decline in circulation of the paper during last year of nearly 5 per cent to an average of 160,000 copies each day.

Film production returned to a modest profit, and there was an improved performance from the group's television interests, reflecting the results of BSkyB, in which it holds 17 per cent, offsetting losses from CanalSatellite, the digital service in which has a 20 per cent stake. Its cinema chain activities reported a decline in earnings before interest, tax and depreciation to FFr76m from FFr61m after a FFr25m provision to restructure its Dutch operations. Group debt fell to FFr1.9bn from FFr2.5bn during the year, and Pathé proposed a net dividend of FFr10 a share.

Andrew Jack, Paris

Hoechst and Bayer disappoint

Shares in leading German chemical groups Hoechst and Bayer fell sharply yesterday after both companies reported lower-than-expected profits for 1996. Bayer, the first of Germany's "Big Three" chemical companies to announce headline results for last year, dropped 2.3 per cent in late afternoon trading to DM74.85, in spite of news of a 13.5 per cent rise in net profits to a record DM2.8bn (\$1.64bn) and an increase in its dividend from DM1.50 to DM1.70 a share. Both figures were slightly below market forecasts. Pre-tax profits climbed 6.7 per cent to DM4.8bn, on a 9 per cent rise in turnover to DM44.6bn. Full details of 1996 results are due to be released at the group's annual news conference on March 18.

Shares in Hoechst, the world's biggest chemicals group, were harder hit, plummeting 5 per cent to DM76.30 after the company registered a sharply weaker than expected 24 per cent rise in net earnings to DM2.8bn, on a 2 per cent decline in turnover to DM50.9bn. Pre-tax profits rose 29 per cent to DM5.8bn.

Analysts, who had been expecting earnings to rise between 40 per cent and 50 per cent last year, were also surprised by news that "special factors" had led the Frankfurt-based company to post a pre-tax loss of DM288m in the fourth quarter. The dividend is being raised from DM1.30 to DM1.40.

Sarah Aldous, Frankfurt

Bank Austria deal approved

The European Commission yesterday approved the takeover of Creditanstalt, Austria's second-largest bank, by Bank Austria, the country's largest. The approval of the Sch17.2bn (\$1.43bn) deal was widely expected after Bank Austria last week agreed to sell its 56 per cent stake in GiroCredit, the third-largest bank, to First Austrian Savings Bank. Bank Austria will also sell one of its several stakes in construction companies. These moves "removed the concerns regarding the impact of the planned merger on competition", the commission said.

Eric Frey, Vienna

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Building groups plan to merge

By Gordon Cramb
in Amsterdam

Volker Stevin and Kendor Wessels, two Dutch construction groups, are planning a merger which would create the biggest building company in the domestic market and the second-largest Dutch construction company active internationally.

They said yesterday that "discussions are taking place on a full merger of the two companies on equal terms". This would be effected through a share swap of one share in Volker Stevin for 2.25 in the smaller Kendor Wessels.

The announcement came ahead of Volker Stevin's 1996 results, due on Friday, and is said to have been brought forward as speculation about the deal spread on the Amsterdam bourse. On Monday, Kendor Wessels shares jumped F15.70, or 7 per cent, adding another F11.40 after the official statement yesterday to close at F188.10. Volker Stevin shares, up a more modest 30 cents on Monday, ended yesterday F113.60 higher at F1202.

The planned deal values the combined group at nearly F1.5bn (\$782m). It will have some 11,500 staff. Kendor Wessels will contribute primarily housing operations, which had revenues in the year to last June of F1976m. Volker Stevin, with 1995 sales of F12.96bn, is known mainly for road and railway building, which provides a third of sales.

Options 'still open' on Belgian bank merger

By Emma Tucker in Brussels

Mr Ferdinand Chaffart, chief executive of Générale de Banque, Belgium's largest bank, said yesterday he was still open to the idea of creating a Belgian "megabank" through a merger with Banque Bruxelles Lambert, the country's fourth largest bank.

Speaking as the bank announced a 10.4 per cent increase in net profits last year, Mr Chaffart said: "I believe Générale de Banque has always said it was interested in seriously discussing such a merger."

But he added that such a move would be considered only when the biggest shareholders of the banks involved agreed, and when it was clear that the move made sense in terms of profitability.

Shares of Belgium's principal banks have been moving upwards recently amid renewed speculation that the creation of a megabank was on the cards. The idea has been around since the beginning of last year when Mr Philippe Maystadt, the Belgian finance minister, called for the creation of a big Belgian bank, to compete in the international market.

But tentative talks between Générale de Banque and BBL collapsed last year. Net profits for last year rose to BFr15.1bn (\$430m), an increase of BFr1.43bn on 1995. The rise was helped by the consolidation of new companies in the group, particularly Générale Bank Nederland, formerly Crédit Lyonnais Nederland, the Dutch subsidiary of the French state-owned bank, which Générale de Banque bought in December 1995.

The results also included for the first time Finagest, France's eighth largest asset management company of which the bank bought 73 per cent in 1995.

Provisions, write-downs and depreciation increased by 9.3 per cent to BFr22bn. The rise was due to a provision of some BFr2bn for further modernisation of branches, including preparations for introducing the euro at the turn of the century, and changes to computer date systems to cope with the millennium.

However, Mr Chaffart said he was still waiting to hear from the Belgian finance ministry whether the government would provide any funds to help banks make the switch to the euro. Gross income increased 16.5 per cent



Ferdinand Chaffart: Interested in resuming merger talks with BBL

to BFr132bn, with interest income up by 15.6 per cent and non-interest income up by 18 per cent.

Mr Chaffart said the bank would propose a dividend for 1996 of BFr395, compared with BFr385 in 1995. However Mr Johan Tack, the bank's director, said the dividend looked much healthier when its BFr15bn capital increase in September was taken into account.

Investors welcome Aker RGI performance

By Hugh Carnegie
in Stockholm

Shares in Aker RGI, the recently formed Norwegian industrial investment group, jumped almost 5 per cent yesterday as investors reacted to an end-of-year statement showing improving performance in key investments.

Aker RGI's most-traded A share rose Nkr8.50 to close

at Nkr188 in Oslo, continuing a surge which has seen the share's value rise 38 per cent since the beginning of the year.

The group was formed last October through the merger of Aker, which operated in offshore engineering, construction and cement, with RGI, the industrial vehicle of Mr Kjell Inge Røkke, the Norwegian entrepreneur.

Aker RGI's main share-

holdings are in Scancem, the dominant Nordic cement producer, Aker Maritime, the offshore engineering company, Norway Seafoods and Constructor Group.

On a pro-forma basis, consolidated pre-tax profits fell from Nkr1.3bn in 1995 to Nkr998m (\$139m), chiefly as a result of large one-off gains in 1995. Turnover was up from Nkr17bn to Nkr20.4bn.

However, more attention was focused on the rising value of core investments and the financial position of Aker RGI. The group was debt-free at the year-end and had an equity-to-assets ratio of almost 44 per cent.

Investors also welcomed the announcement of a dividend of Nkr5.00 per share.

Profits rose at Scancem - 33.3 per cent held by Aker RGI - from Nkr1.16bn to

Nkr1.21bn, while Aker Maritime, which is 75 per cent controlled, saw profits climb from Nkr177m to Nkr301m. Profits at Norway Seafoods - 62 per cent owned - slumped from Nkr278m to Nkr12m.

Aker RGI said it was negotiating to sell its 50 per cent share in Helly-Hansen, the outdoor-clothes-maker, for Nkr400m, Nkr275m more than it paid for the stake several years ago.

All of these securities having been sold, this announcement appears as a matter of record only.

March 1997.

14,375,000 Shares

STERLING
COMMERCE

Common Stock

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INCORPORATED

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COMPANIES AND FINANCE: ASIA-PACIFIC

Ashton up 58% despite decline at Argyle

By Nikki Tait in Sydney

Profits at Ashton Mining, the Australian diamond miner that owns a 40 per cent stake in the Argyle mine in Western Australia, increased 58 per cent after tax to A\$26.1m (US\$20.6m) for 1996, helped by a lower tax charge and an absence of abnormal items.

But the company also revealed that sales from Argyle, which is owned jointly with the UK's RTZ-CRA group, fell significantly in the

second half of the year after the mine decided to withdraw from the Central Selling Organisation, the diamond marketing cartel run by De Beers.

Ashton said sales from Argyle, the world's biggest producer of rough diamonds in volume terms, slipped to US\$129.5m in the second half, compared with US\$220.6m in the first six months.

The mine allowed its contract with the CSO to expire in June, and since then has handled the

marketing of all its rough diamond sales directly from offices in Antwerp. Before the expiration of the CSO contract, only about 22 per cent of its output had been sold in this way.

Ashton said the reduction in sales reflected the change, which involved a move to new offices and the recruitment of additional staff. It called the sales result "commendable", given the extent of the changes.

Despite the increase in after-tax

profits, Ashton's pre-interest operating profits fell from A\$42m in 1995 to A\$28.3m, with total revenues slipping from A\$204.2m to A\$197m.

The decline was blamed on the strengthening of the Australian currency against the US dollar, increased depreciation and amortisation charges, and the costs of research into underground mining at Argyle.

The company expected production from Argyle to be about 36m

37m carats this year, down from 42m in 1996, as improved screening reduces the amount of very small diamonds produced.

It said demand from the US jewellery market was "positive", but conceded that Japan remained "subdued" and that Hong Kong had suffered a slowdown. By contrast, China and other Asian markets "continue to show strong growth".

Ashton shares eased 4 cents to A\$1.98.

HK banks keen to keep the party going

After a healthy results season, they are examining ways to maintain momentum after the handover

According to the gloomiest scenarios painted in the 1990s, Hong Kong banks should be struggling to turn a profit funneling clients' funds overseas ahead of July's return to Chinese sovereignty. Instead, the double-digit profit increases unveiled during the current results season underline that the territory remains one of the world's most lucrative markets.

However, for local banks and their international counterparts, they also raise questions: when will the party end and what can be done to sustain it? Despite warnings from bank executives of increasing competition, present performance suggests momentum can be maintained.

Bank of East Asia opened the current results season with a 15 per cent rise in 1996 net profits, to HK\$1.88bn (US\$243m). The importance of the territory to international banks was emphasised by results from HSBC Holdings, which generated £1.78bn (\$2.85bn), or 39 per cent of total pre-tax profits, in Hong Kong. In the past week, Wing Hang Bank and Dah Sing Financial Holdings have both reported profit increases of more than 30 per cent.

There have been a few black marks, including lower than expected profits from Hang Seng Bank, the subsidiary of Hongkong Bank, because of a sharp increase in provisions. However, Mr Alexander Au, chief execu-

Standing tall

Hang Seng

Finance sector index (2000)

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Digital dilemma for German TV groups

A compromise solution needs to be reached if substantial investment is to generate returns

On paper, a deal to end the wrangles besetting the development of digital pay-TV in Germany looks easy. Three key players - DF-1, Premiere, and Deutsche Telekom - all hold valuable cards, but not enough to work alone.

Premiere, the analogue subscription channel owned by CLT-Ufa, Canal Plus and Kirch, has more than 1.4m subscribers and attractive sports programming rights, but few movie rights in the medium term.

These are held by DF-1, the digital service owned by Kirch Group - but this has less than 30,000 subscribers.

Deutsche Telekom, the partially-privatised telecoms company, has neither programming rights nor subscribers, but it owns most of the cable distribution network, which is in the process of being digitalised.

Combining the three in some way would seem a logical way to put an end to months of sparring and start generating some returns on substantial investments. The companies have been in constant talks, but have so far failed to reach a compromise.

The problem, according to Mr Bernd Kundrun, managing director of Premiere, is that "all players feel they are in a position to control the change and install themselves in the gate-keeper role. I think no-one is in that position".

But last week's announcement by BSkyB, the UK satellite broadcaster, that it

would not take a 49 per cent stake in DF-1 may have given an impetus to the negotiations. BSkyB was a potential bonus to Kirch, as it could have shared DF-1's start-up costs, estimated at DM2.5bn (\$1.5bn).

This departure of BSkyB has put added pressure on DF-1. With the numbers of paying subscribers trailing way behind its forecasts, Kirch is shouldering considerable costs. In a recent report, Credit Suisse First Boston estimated that DF-1 was costing Kirch DM1m a day.

DF-1's trump cards of output deals with four big Hollywood studios - Disney, Warner, Paramount and Universal - cannot be played in one hand, as those deals are not yet exclusive. CSFB estimates that some 30 per cent of US movies would be exclusive to DF-1 in 1998, rising to 70 per cent in 1999 and 80 per cent thereafter.

By then DF-1 would be in a powerful position, but few believe Kirch would be prepared to bear the costs of waiting until 1999, especially as the deals struck with Hollywood are believed to carry guarantees for subscriber numbers. If these are not met, then DF-1 must pay out the difference.

But while Kirch has lost a partner to share the burden of its commitments, BSkyB was an obstacle to a deal between DF-1 and Premiere. The German cartel office had said it would recommend blocking, on competition grounds, of a deal which brought CLT-Ufa, Kirch, Canal Plus and BSkyB together.

Speculation that a solution could be found with Canal Plus, which is apparently willing to leave the German market, has yet to translate

Mr Sommer pointed out that of the 16.7m cable connections installed by Deutsche Telekom in Germany, it serviced only 6m, with the rest maintained by 6,000 companies of varying sizes. "We're competing against these as well as against 9m satellite and 11m land TV connections maintained by other companies," Mr Sommer said.

He stressed, however, that Deutsche Telekom had "no plans whatsoever" to become a content provider.

Mr Sommer declined to comment on reports that Deutsche Telekom and Bertelsmann were planning a joint venture in online and multimedia services, saying only that an announcement of further co-operation between the two companies would be made by Friday.



Kundrun says pay-TV companies are always sensitive about these activities, as the value of their operations are measured in terms of subscriber numbers.

Telekom, however, is keen to expand on its existing experience of billing and managing cable-TV subscriptions.

In January Mr Ron Sommer, Telekom chairman, said his company was not interested in simply being the provider of the highway on which networks such as Premiere and DF-1 could drive into half of Germany's 33m households.

Premiere and DF-1 also fear that Telekom may actually deliver on hints made in the past that it will also market a decoder.

Unlike the sophisticated d-box used by DF-1 and Premiere's Mediabox - which are capable of performing a variety of multi-

media functions such as telephony, e-mail and Internet access - analysts believe Telekom will market a simple, cheap "dumb box" dedicated solely to delivering digital TV.

This could undercut the plans of DF-1 and Premiere to stick to their respective decoder boxes.

Mr Kundrun says that for digital pay-TV to succeed, it will have to succeed in the mass market. But he says, a decoder costing around DM800, as DF-1's d-box does, is too expensive.

Renting or leasing decoders - an option DF-1 is believed to be considering - would seem to be the logical step. But even then it could cost twice as much as existing rental schemes for analogue decoders.

Frederick Stüdemann

EUROPEAN NEWS DIGEST

Bank Leumi in deal with Generali

Bank Leumi, Israel's second largest bank, yesterday said it had finalised a deal which paved the way for Generali, the Italian insurance group, to purchase a controlling stake in Leumi Insurance Holdings-Migdal, a leading Israeli insurance group.

The move follows attempts by Israeli MPs to block the takeover until Generali agreed to open its files of insurance policies belonging to Jews killed in the Holocaust, and commit itself to compensating the families. Last week Generali said it would allow access by an independent organisation to its warehouse in Trieste which houses these policies, but it denied legal liability to families of policyholders.

According to the bank, Generali will place a bid "within days" to purchase 42 per cent of the 73 per cent of LJIH shares owned by the bank and other shareholders. Generali currently holds a 27 per cent stake in the company. LJIH is valued at about \$1bn for the deal.

Avi Mochlis, Jerusalem

Bezeq approves payout

Bezeq, Israel's state-owned telecoms network, yesterday approved an interim dividend of Shk120m (\$35.72m), or 40 per cent of its net profits for the first six months of 1996. More than Shk91m will be paid to the government, which holds a 76 per cent stake in the company. The move paves the way for the imminent release of Bezeq's 1996 results. They had been delayed by a disagreement between Bezeq and the government over the size of a bonus to employees.

Cable & Wireless, the UK telecoms group which holds 10 per cent of Bezeq, will receive Shk11.84m, with the remainder distributed among the other shareholders. Bezeq is obliged to pay an annual dividend amounting to 55 per cent of net profits.

Judy Dempsey, Jerusalem

KME advances 19%

Restructuring has helped KME, the world's largest copper processing company, lift 1996 net profits by 19 per cent to DM119m (\$69.56m) in spite of a slip in turnover from DM3.9bn to DM3.8bn. Mr Norbert Brodersen, board spokesman, said yesterday cost-cutting across European operations had offset weak markets.

Mark Mulligan

Goldman Sachs 'top adviser'

By John Gapper, Banking Editor

Goldman Sachs, the US investment bank, was top adviser to European companies on acquisitions in the US last year, according to a survey by *Acquisitions Monthly* magazine.

The survey found that European purchases of US companies doubled in value from \$33bn in 1995 to \$67.5bn last year, although the number of deals stayed stable at 337 against 356 in 1995.

UK companies, which have traditionally been leading acquirers of US companies, tended to choose UK-owned advisers such as NatWest Markets and Schroders, although Goldman Sachs was also top adviser to UK companies.

Continental European companies preferred US advisers. Apart from Goldman Sachs, other US investment banks, such as Morgan Stanley and Salomon Brothers, gained strong positions in advising continental European companies. Credit Suisse First Boston, the Swiss firm, also did well. The tables did not include

the \$20bn acquisition of MCI Communications by British Telecommunications, on which BT was advised by N.M. Rothschild and Morgan Stanley. This would have placed the BT advisers at the top of the tables.

UK companies continued to account for more than half of acquisitions by European companies. UK companies bought 148 US companies, worth \$39.9bn, compared with \$9.9bn spent by German companies.

Because the tables include few deals for each adviser, with Goldman Sachs acting on just nine deals, the rankings are volatile. However, they show the strides made by US banks in penetrating continental Europe.

They also disclose a relatively weak performance by French and German advisers. Lazard, the partly French-owned firm, and Dresdner Kleinwort Benson, the German-owned bank, achieved a top 15 showing.

The biggest deals of the year included Fresenius of Germany buying National Medical Care, and Munich Re of Germany buying America Re.

US chief executive for Swissair

By William Hall in Zurich

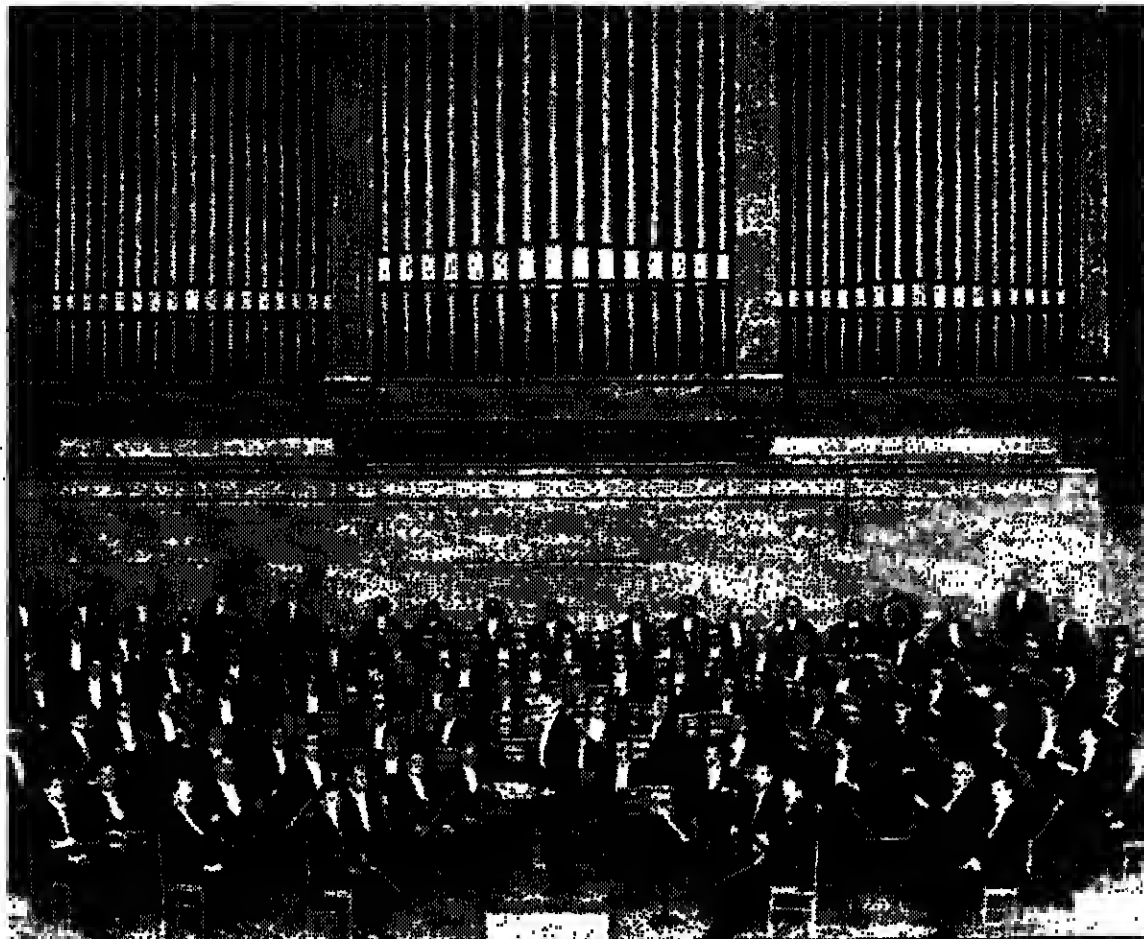
Swissair, one of the proudest symbols of the Swiss economy, has hired an American chief executive.

Mr Jeffrey Katz, 41, a senior executive with American Airlines, is joining Swissair as chief operating officer and will take over as chief executive from the start of next year.

Mr Katz, who has worked for American Airlines for 17 years, is one of three new non-Swiss executives to be hired as part of an overhaul of Swissair's senior management team.

Mr Ray Lyons joins from British Airways as vice-president, network management, and Mr Lee Shave, 39, another British Airways executive, as vice-president of sales and customer relations. By next year, half of Swissair's six-man executive team will be non-Swiss.

The appointments are a clear sign that Mr Philippe Brugger, 48, who took over at the start of the year as chief executive of Sair-Group, Swissair's parent, is determined to sort out the problems of the airline.



In a sense, all creativity is collaborative.

INTEGRATED FINANCINGS

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Chancellor Broadcasting Company

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In the presence of a close, collaborative relationship, substantial value can be added. Hicks, Muse, Tate & Furst spotted and quantified the opportunity: multiple radio station ownership in an attractive operating climate resulting from deregulation. Working with Hicks, Muse, Tate & Furst through several iterations of growth, we structured a series of unique, integrated financings that combined bank debt, high-yield subordinated debt and preferred stock and, ultimately, an IPO. Throughout this process, over a two-year period, Bankers Trust raised more than \$800 million of capital in the leveraged finance market. The result is Chancellor Broadcasting Company, today the third largest pure-play radio station group in the United States. For Chancellor Broadcasting Company, Bankers Trust's flexible and integrated financing solutions added incremental value at every step and helped our client assemble a blue chip portfolio of radio stations across the United States. To discuss how we might work together with you to design an equally innovative solution to your financial services needs, please contact us.

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COMPANIES AND FINANCE: INTERNATIONAL

Profit cycle turns down at Chinese groups

The country's bicycle makers face a declining market and competition from foreign groups



Wheel power: production of bicycles has risen with the proliferation of manufacturers, but China's growing affluence has meant this traditional transport is losing favour

Shanghai Forever Bicycle is the best known name in the largest bicycle market in the world. The company has built nearly 100m bicycles since the Communists took over China in 1949, an output which has earned it the accolade of being one of the "10 top trademarks in China". However, this year it will make only a fraction of its profits - if there are any - from producing bicycles. China's bicycle market is in long-term decline, and heavily oversupplied, and the country's most famous bicycle manufacturer is losing the strain.

Forever Bicycle is expected to announce another year of losses for 1996, despite a forecast rise in sales to approximately "n944m (US\$121.2m) from "n872m in 1995, when it reported pre-tax losses of "n18.8m. The company is based on the Shanghai Stock

Exchange and the forecasts are for the accounts audited to international standards, rather than the figures given under Chinese accounting rules.

Shanghai Phoenix, China's largest producer of bicycles, has been showing similar problems. Profits have been falling steadily, from Yn134.7m in 1993 to Yn31.1m in 1995.

The company insists it will continue to show some profits when it reports full-year results for 1996, but declines to give figures.

Mr Tao Guoqiang, president of Forever Bicycle, explains that the main problem has been oversupply: "In the last five years, the production capacity in China has developed much too quickly."

"In 1995, there were about 95 bicycle manufacturers. Today there are more than 600."

China Giant, a Sino-Taiwan joint venture, opened in Kunshan near Shanghai in 1994 and now has annual production of more than 750,000 bicycles.

Thanks in part to an aggressive advertising campaign, Giant has already built a strong reputation among young people in China as a manufacturer of high-quality cycles, particularly mountain bikes.

"Taiwan has been the biggest competitor to the Chinese industry, because their bicycle technology is comparatively advanced and

because they have good connections in China," Mr Tao says. He says 75 per cent of Forever's 1997 revenue is likely to come from sales of its traditional bicycles, but more than 70 per cent of its profits will come from the company's growing other interests - property, mopeds, electric-powered bicycles and exercise machines.

The shifting emphasis reflects the decline in Chinese demand for bicycles. Analysts calculate that consumption has been falling by about 10 per cent a year over the past three years, as other forms of transport such as buses, trains and subways have become more efficient and as China's affluent urban classes have become more inclined to take a taxi than expend the physical effort of riding a bike.

The obvious avenue for

Phoenix and Forever to go down was mopeds, for reasons best summed up in the Chinese press by Mr Xu Peichang, Shanghai's traffic police chief. "Owning a car is still a dream, taking a taxi is too expensive, motorcycles are too dangerous, cycling takes too much energy and buses take too long."

However, the moped boom was short-lived as pollution problems and accidents prompted Shanghai to ban new mopeds licenses last year, following complete bans on the use of mopeds in towns such as Nanjing.

Forever Bicycle is hoping to get round the pollution problem with production of an electric-powered bicycle, of which it aims to sell 600 this year.

If initial sales prove successful, Forever plans to raise further funds on the markets for international investors to invest in expanding production to

100,000 electric bicycles a year.

The other way of bolstering sales has been to look to exports.

As access is restricted in Europe by anti-dumping regulations, and in the US by high tariffs, both Phoenix and Forever have been building exports to Africa and South America.

Forever's finances are likely to be further assisted by government plans to take on the costs of providing pensions and welfare for the company's former employees, reflecting the state's commitment to one of its flagship brands.

Mr Tao insists the company will remain true to the brand, and Forever will be manufacturing bicycles for many years to come.

"The bicycle will still be the way ordinary people get around," he says.

James Harding

INTERNATIONAL NEWS DIGEST

Libbey and Vitro in tableware deal

Libbey, the Ohio-based glass tableware manufacturer, has agreed to buy 49 per cent of Vitrocrisa, the tableware subsidiary of Vitro, the Mexican glassmaker, for a reported \$100m. Vitrocrisa accounts for about 14 per cent of Vitro's \$2bn annual sales. The agreement also includes Libbey's acquisition of WorldCrisa, which supplies flat ware, dinner ware and other table products to the US food service industry.

Vitro, which last year wrote off its \$1bn investment in Anchor Glass, its loss-making US subsidiary, has been looking for foreign partners to recapitalize its divisions. As well as flat glass and glass containers, Vitro produces aluminium cans, plastic containers, synthetic fibres, washing machines and fridges. Mr Hugo Jaime Garcia, Vitro finance director, said proceeds from the Vitrocrisa transaction would be used to cancel part of Vitro's \$1.5bn debt. Mr Garcia's aim this year is to lower Vitro's corporate debt by \$300m.

Leslie Crawford, Mexico City

Shipyards hold back Keppel

Keppel, the Singapore conglomerate with shipping, property and financial interests, reported a drop in earnings yesterday, in line with market expectations. Group net profit in 1996 fell 4.7 per cent from \$824.1m to \$784.1m (US\$142.5m). Pre-tax profit rose from \$944.9m to \$947.3m and revenue climbed from \$2.4bn to \$2.5bn. Earnings per share dropped from 42.5 cents to 38.4 cents.

The company surprised analysts by proposing a one-for-four bonus share issue. Analysts believed the bonus was an attempt to prevent the company's share price from falling sharply. Keppel shares ended down 20 cents at \$810.10, just above their low for the year of \$810.

Poor earnings from shipyards, squeezed increasingly by lower-cost competition, was the main negative factor. Keppel Marine suffered a 57 per cent slide in net profit to \$515.2m. The group's property and banking interests enjoyed another year of strong earnings growth. The two sectors contributed 44 per cent of group revenue but 90 per cent of pre-tax profit. Keppel's shipyard businesses contributed only 7 per cent of pre-tax profit but 40 per cent of revenue.

James King, Kuala Lumpur

Feed price war in China

Two of China's biggest animal feed manufacturers have started a price war in an attempt to secure a larger market share. Hope, based in Sichuan and one of China's biggest private companies, cut feed prices by between 10 per cent and 25 per cent this week. "We are not going to make a profit. Our main purpose is to grab more market share," it said yesterday. Hope's rival, Dajiang, which is 42 per cent owned by Thailand's Chiatel Group, claimed Hope was responding to its 8 per cent cut, announced last month. Dajiang said it accounted for 2 per cent of China's total output of 45m tonnes of feed last year while Hope accounted for 5 per cent.

James Harding, Shanghai

CORRECTION

Mr Ronald Perelman

The photograph in yesterday's Financial Times captioned Mr Ronald Perelman, the US financier, was in fact Mr Lawrence Perelman, the chairman and chief executive of Ceridian, the US payroll processing company. We apologise for any confusion caused by our error.

Japanese fund management groups to merge

by Bethan Hutton
Tokyo

Three investment management companies linked to Dai-ichi Kangyo Bank are to merge later this year, forming one of Japan's three largest investment management groups with about ¥2,500bn (20.56bn) under management.

Dai-ichi Kangyo Investment Management, Kankaku Capital

Management and Asahi Investment Trust Management are set to merge in October, probably under the name of Asahi Investment Trust Management, the largest of the three. The merger is subject to approval by the Ministry of Finance.

The plan comes after two investment management affiliates of Nomura Securities, Japan's largest stockbroker, said they would

merge this October, creating an institution with ¥15,400bn under management.

Both moves are part of preparations by financial institutions for the deregulation of Japanese markets and services due over the next few years. Competition will increase, but investment managers outside the main life insurance and trust banking groups are set to continue expanding in areas

such as pension fund management. Dai-ichi Kangyo Investment Management and Kankaku Capital Management deal mainly with institutional clients, while Asahi Investment Trust Management serves retail investors.

Kankaku Capital Management and Asahi Investment Trust are affiliated to Kankaku Securities, a second-tier securities house in which Dai-ichi Kangyo Bank is the

largest shareholder. Analysts said the move was not unexpected in the wake of the Nomura merger announcement and Dai-ichi Kangyo's increasing links with Kankaku Securities.

This is the first merger between bank and brokerage subsidiaries. More are expected between smaller stockbrokers and subsidiaries of larger securities companies in the run-up to deregulation.



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NOTICE OF EXTRAORDINARY MEETING

The stockholders are invited to an Extraordinary Meeting at the Convention Hall located in the Registered Office at 34 Via A. Bertola, Turin, at 10:00 AM on March 26, 1997 on the first call, or at the same time and place on March 27, 1997 on the second call, if required, to deliberate and vote on the following

AGENDA

- 1) Motion to amend Article 3 of the Articles of Association (corporate purpose), effective as of July 15, 1997.
- 2) Inclusion, effective as of July 15, 1997, of a new Article dealing with the special powers referred to in Law No. 474 of July 30, 1994, in accordance with the contents and scope set forth in the Decree issued by the Ministry of the Treasury pursuant to Article 2, Section 1 bis of the abovementioned Law No. 474.
- 3) Pertinent and related resolutions.

Only stockholders who have deposited their ordinary shares at least five days prior to the date of the meeting at the corporate offices at 34 Via A. Bertola, Turin, or at Corso d'Italia, Rome, or at Monte Tassi S.p.A. for the securities which it manages, or at any of the usual authorized banks may attend the Meeting.

Outside Italy, shares may be deposited at the following branches of authorized banks:

- London: Banca Commerciale Italiana S.p.A. - 42/46, Gresham Street - EC2V 7LA
Credito Italiano S.p.A. - 17, Moorgate - EC2R 6AR
Banca di Roma S.p.A. - 67, Gresham Street - EC2V 7NO
- New York: Banca Commerciale Italiana S.p.A. - One William Street - NY 10004
Credito Italiano S.p.A. - 375, Park Avenue - NY 10152
Morgan Guaranty Trust Company of New York - 60, Wall Street - NY 10280
- Paris: Banca Nazionale del Lavoro S.p.A. - 25, Avenue des Champs Elysees - 75008
- Frankfurt am Main: Istituto Bancario San Paolo di Torino S.p.A. - Eschersheimer Landstrasse, 55 - D 60322
- Zurich: Lavoro Bank A.G. - Tellerstrasse 21 - 8001

Prof. Guido Rossi
Chairman of the
Board of Directors

The Notice of the Extraordinary Meeting has been published in the Official Gazette of the Italian Republic, issue No. 58, Part II of March 11, 1997.

Holders of ADRs representing STET ordinary shares, which are listed on the New York Stock Exchange, should contact Morgan Guaranty Trust Company of New York, Depositary of the abovementioned ADRs, at 60 Wall Street, New York, NY 10280.

Please refer to the prospectus for the purposes of the securities pooling and in England and Wales.

Registered in the United Kingdom for the purposes of the Companies Act 1985

1/2 Year	1/2 Year	1/2 Year	1/2 Year
period	period	period	period
1996	1996	1996	1996
1995	1995	1995	1995
0000	18.36	12.85	14.29
0100	18.36	12.85	14.29
0200	18.36	12.85	14.29
0300	18.36	12.85	14.29
0400	18.36	12.85	14.29
0500	18.36	12.85	14.29
0600	18.36	12.85	14.29
0700	18.36	12.85	14.29
0800	18.36	12.85	14.29
0900	18.36	12.85	14.29
1000	18.36	12.85	14.29
1100	18.36	12.85	14.29
1200	18.36	12.85	14.29
1300	18.36	12.85	14.29
1400	18.36	12.85	14.29
1500	18.36	12.85	14.29
1600	18.36	12.85	14.29
1700	18.36	12.85	14.29
1800	18.36	12.85	14.29
1900	18.36	12.85	14.29
2000	18.36	12.85	14.29
2100	18.36	12.85	14.29
2200	18.36	12.85	14.29
2300	18.36	12.85	14.29
2400	18.36	12.85	14.29

Please refer to the prospectus for the purposes of the securities pooling and in England and Wales.

Zeneca:
the numbers

1996 financial highlights

	1995	1996	Increase
Sales	£4.898bn	£5.363bn	9%
Research and Development	£549m	£602m	10%
Profit before tax and exceptional items	£878m	£1.011bn	15%
Earnings per Ordinary Share*	62.0p	70.6p	14%
Dividend per Ordinary Share	31.0p	35.0p	13%
Return on Sales	18.3%	19.4%	

*before exceptional items

Sir David Barnes, Chief Executive of Zeneca, said:

"1996 was another year of substantial success for Zeneca, thanks to strong sales volume growth particularly from our new products.

1997 will see further new product launches. UK approval for our new migraine treatment, 'Zomig', was granted 10/3/97."

ZENECA
BRINGING IDEAS TO LIFE

The 1996 Annual Report will be mailed to shareholders on 2 April 1997. Non-shareholders may obtain copies by writing to The Secretary, Zeneca Group PLC, 15 Spinnaker Gate, London W1Y 6LN or by e-mail request to webmaster@zeneca.co.uk

LIQUIBAER

Shareholders are referred to the cautionary announcements dated 29 January and 19 February 1997 and are advised to continue to exercise caution in dealing in shares of the company.

Johannesburg

12 March 1997

£100,000,000

ANGLO IRISH BANKCORP
Anglo Irish Bank
Corporation plc

Incorporated in Ireland under the Companies Act, 1963

For the 3 month interest period

March 10, 1997 to June 10, 1997

The Rate of Interest has been set

at 6.375 per cent, per annum

with Interest Amounts of £100.00

and £100.00 payable on

210,000 and 210,000 Notes

respectively. The relevant

Interest Payment Date is

June 10, 1997.

By: The General Manager

March 12, 1997

CHASE

US Treasuries slip on rate rise fears

UK gilts marked time after an improvement in the UK's inflation prospects had triggered a rally on Monday. Long gilts closed up $\frac{1}{2}$ at 111 $\frac{1}{2}$. Traders said uncertainty over the UK election was holding the market back.

Perez Companc, the Argentine oil and gas production company, launched its first offering of lira-denominated bonds.

The lead manager was Chase Manhattan. The debt was trading at its offer price last night.

Three types of funds tracked had negative performance in February: the HFR Sector index lost 2.40 per cent, the Growth index was down 1.09 per cent and the Multi-Strategy index fell 0.90 per cent.

- Low coupon yield -			- Medium coupon yield -			- High coupon yield -		
Mar 11	Mar 11	Mar 11	Mar 11	Mar 11	Mar 11	Mar 11	Mar 11	Mar 11
5.95	6.90	7.63	8.08	8.98	7.67	7.02	7.01	7.77
7.44	7.41	8.37	7.48	7.41	8.37	7.51	7.36	8.67
7.51	7.51	8.44	7.48	7.45	8.43	7.32	7.38	8.51
7.57	7.58	8.46						

- Inflation 5% -			- Inflation 10% -		
Mar 11	Mar 11	Mar 11	Mar 11	Mar 11	Mar 11
2.14	2.13	3.12	2.45	2.45	3.88
3.47	3.47	3.82	3.27	3.27	1.93

100% High 11% and over, 7 Flat yield, 50% to 100% to date.

Gift Edged Activity Indices

	Mar 10	Mar 5	Mar 6	Mar 5	Mar 4
Gift Edged Bargains	NA	90.9	85.2	82.8	80.5
ave average	NA	85.9	82.8	33.0	59.7

computation: 127.40 (90.0/100), low 40.15 (50.0/100), fixed interest 100.00

	Bid	Offer	Chg	Yield		Issued	Bid	Offer	Chg	Yield
1103 $\frac{1}{2}$	110 $\frac{1}{2}$	110 $\frac{3}{4}$	5.79	Abbey Natl Treasury 8 03 E	—	1000	102 $\frac{1}{2}$	102 $\frac{3}{4}$	—	7.75

103 ₁	103 ₂	103 ₃	103 ₄	103 ₅	103 ₆	103 ₇	103 ₈	103 ₉	103 ₁₀	103 ₁₁	103 ₁₂	103 ₁₃	103 ₁₄	103 ₁₅	103 ₁₆	103 ₁₇	103 ₁₈	103 ₁₉	103 ₂₀	103 ₂₁	103 ₂₂	103 ₂₃	103 ₂₄	103 ₂₅	103 ₂₆	103 ₂₇	103 ₂₈	103 ₂₉	103 ₃₀	103 ₃₁	103 ₃₂	103 ₃₃	103 ₃₄	103 ₃₅	103 ₃₆	103 ₃₇	103 ₃₈	103 ₃₉	103 ₄₀	103 ₄₁	103 ₄₂	103 ₄₃	103 ₄₄	103 ₄₅	103 ₄₆	103 ₄₇	103 ₄₈	103 ₄₉	103 ₅₀	103 ₅₁	103 ₅₂	103 ₅₃	103 ₅₄	103 ₅₅	103 ₅₆	103 ₅₇	103 ₅₈	103 ₅₉	103 ₆₀	103 ₆₁	103 ₆₂	103 ₆₃	103 ₆₄	103 ₆₅	103 ₆₆	103 ₆₇	103 ₆₈	103 ₆₉	103 ₇₀	103 ₇₁	103 ₇₂	103 ₇₃	103 ₇₄	103 ₇₅	103 ₇₆	103 ₇₇	103 ₇₈	103 ₇₉	103 ₈₀	103 ₈₁	103 ₈₂	103 ₈₃	103 ₈₄	103 ₈₅	103 ₈₆	103 ₈₇	103 ₈₈	103 ₈₉	103 ₉₀	103 ₉₁	103 ₉₂	103 ₉₃	103 ₉₄	103 ₉₅	103 ₉₆	103 ₉₇	103 ₉₈	103 ₉₉	103 ₁₀₀	103 ₁₀₁	103 ₁₀₂	103 ₁₀₃	103 ₁₀₄	103 ₁₀₅	103 ₁₀₆	103 ₁₀₇	103 ₁₀₈	103 ₁₀₉	103 ₁₁₀	103 ₁₁₁	103 ₁₁₂	103 ₁₁₃	103 ₁₁₄	103 ₁₁₅	103 ₁₁₆	103 ₁₁₇	103 ₁₁₈	103 ₁₁₉	103 ₁₂₀	103 ₁₂₁	103 ₁₂₂	103 ₁₂₃	103 ₁₂₄	103 ₁₂₅	103 ₁₂₆	103 ₁₂₇	103 ₁₂₈	103 ₁₂₉	103 ₁₃₀	103 ₁₃₁	103 ₁₃₂	103 ₁₃₃	103 ₁₃₄	103 ₁₃₅	103 ₁₃₆	103 ₁₃₇	103 ₁₃₈	103 ₁₃₉	103 ₁₄₀	103 ₁₄₁	103 ₁₄₂	103 ₁₄₃	103 ₁₄₄	103 ₁₄₅	103 ₁₄₆	103 ₁₄₇	103 ₁₄₈	103 ₁₄₉	103 ₁₅₀	103 ₁₅₁	103 ₁₅₂	103 ₁₅₃	103 ₁₅₄	103 ₁₅₅	103 ₁₅₆	103 ₁₅₇	103 ₁₅₈	103 ₁₅₉	103 ₁₆₀	103 ₁₆₁	103 ₁₆₂	103 ₁₆₃	103 ₁₆₄	103 ₁₆₅	103 ₁₆₆	103 ₁₆₇	103 ₁₆₈	103 ₁₆₉	103 ₁₇₀	103 ₁₇₁	103 ₁₇₂	103 ₁₇₃	103 ₁₇₄	103 ₁₇₅	103 ₁₇₆	103 ₁₇₇	103 ₁₇₈	103 ₁₇₉	103 ₁₈₀	103 ₁₈₁	103 ₁₈₂	103 ₁₈₃	103 ₁₈₄	103 ₁₈₅	103 ₁₈₆	103 ₁₈₇	103 ₁₈₈	103 ₁₈₉	103 ₁₉₀	103 ₁₉₁	103 ₁₉₂	103 ₁₉₃	103 ₁₉₄	103 ₁₉₅	103 ₁₉₆	103 ₁₉₇	103 ₁₉₈	103 ₁₉₉	103 ₂₀₀	103 ₂₀₁	103 ₂₀₂	103 ₂₀₃	103 ₂₀₄	103 ₂₀₅	103 ₂₀₆	103 ₂₀₇	103 ₂₀₈	103 ₂₀₉	103 ₂₁₀	103 ₂₁₁	103 ₂₁₂	103 ₂₁₃	103 ₂₁₄	103 ₂₁₅	103 ₂₁₆	103 ₂₁₇	103 ₂₁₈	103 ₂₁₉	103 ₂₂₀	103 ₂₂₁	103 ₂₂₂	103 ₂₂₃	103 ₂₂₄	103 ₂₂₅	103 ₂₂₆	103 ₂₂₇	103 ₂₂₈	103 ₂₂₉	103 ₂₃₀	103 ₂₃₁	103 ₂₃₂	103 ₂₃₃	103 ₂₃₄	103 ₂₃₅	103 ₂₃₆	103 ₂₃₇	103 ₂₃₈	103 ₂₃₉	103 ₂₄₀	103 ₂₄₁	103 ₂₄₂	103 ₂₄₃	103 ₂₄₄	103 ₂₄₅	103 ₂₄₆	103 ₂₄
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104½	104½	+½	2.42	Savern Trent 11½ 99 E	150	100½	100½	7½
115½	115½		2.69	Tokyo Elec Power 11 01 E	150	112½	113½	7½
109½	109½	+½	3.16	TCN2 Flk 9½ 02 NZS	75	104½	103	½
116½	115½	+½	3.17	World Bank 8 99 NZS	230	101½	101½	½

				Russ	Indo	King		
108	110	3.17	Elec de France 8 $\frac{1}{2}$ % 22 FF	9000	126 $\frac{1}{2}$	129	+4	B.
32	32 $\frac{1}{2}$	4.72						
116 $\frac{1}{2}$	116 $\frac{1}{2}$	2.65	FLOATING RATE NOTES					

113%	114%	2.02	Argentina Global Fin 0 01	700	88.85	98.74	5.94
116%	116%	0.99	Banqueparibas 1/8 99	730	98.97	100.05	5.69
114%	114%	2.01	Canada 1/4 99	2000	98.72	99.80	5.25
102%	108	0.95	COCE 0 08 Ecu	200	98.73	98.89	4.53
			Crescentbank Corp 1/8 00	300	99.94	99.90	5.77

118 $\frac{1}{2}$	118 $\frac{1}{2}$	$\frac{1}{2}$	2.30	Unifacord Finance	93 LAM	1000	99.95	100.05	2.10%
110 $\frac{1}{2}$	110 $\frac{1}{2}$	$\frac{1}{2}$	0.92	Fed Nat Mort	2 03	1000	99.78	99.84	5.88%
122	122 $\frac{1}{2}$		1.44	Finland	3 99	1500	99.97	100.04	5.43%
116 $\frac{1}{2}$	117		1.00	Hallmark BS 0 99		500	100.06	100.14	5.88%
117	117		1.00	Fullmark Int 1. 00		500	100.00	100.00	5.75%

99	103	$\frac{1}{4}$	15.31	103	$\frac{1}{4}$	15.31	103	$\frac{1}{4}$	15.31
101 $\frac{1}{4}$	101 $\frac{1}{2}$	$\frac{1}{4}$	14.17	101 $\frac{1}{2}$	$\frac{1}{4}$	14.17	101 $\frac{1}{2}$	$\frac{1}{4}$	14.17

111 1/2	122 1/2	5.15	Portugal - 1/2 98 DM	2500	100.28	100.35	3.18
107 1/2	108 1/2	6.31	Quebec Hydro 0 98	500	99.78	99.91	5.50
107 1/2	107 1/2	5.02	Canada 0 98	800	99.82	100.00	5.45
110 1/2	111	5.05	Spain - 1/2 02 DM	2000	100.07	100.13	3.18

108 1/2	108 1/2	-1/4	6.20	United Kingdom - 1/2 01	2000	99.85	99.88	5.312
113 1/4	114 1/4	-1/2	8.02					
111 1/2	111 1/2	-1/4	4.78	CONVERTIBLE BONDS				
111 1/2	111 1/2	-1/4	5.02					

109 ₁	108 ₁	-1	4.74	Allied-Lyons 6 $\frac{1}{2}$ % 08 C	200	-5.04	98 $\frac{1}{2}$	97 $\frac{1}{2}$	+27.7
115 $\frac{1}{2}$	115 $\frac{1}{2}$	-1	5.28	Pf Ind Finance 4 1/2 Y	210000		91 $\frac{1}{2}$	92 $\frac{1}{2}$	
112 $\frac{1}{2}$	113		6.08	Gold Kalgoolie 7 $\frac{1}{2}$ % 00	65	1.37	111 $\frac{1}{2}$	113	+14.1
114 $\frac{1}{2}$	114 $\frac{1}{2}$		6.27	Grand Metropolitan 6 $\frac{1}{2}$ % 00	210	4.57	116 $\frac{1}{2}$	117 $\frac{1}{2}$	+2.8

116 $\frac{1}{2}$	116 $\frac{1}{2}$	0.22	Latino 7 $\frac{1}{2}$ 03 E	0.00	97 $\frac{1}{2}$	98 $\frac{1}{2}$
12 $\frac{1}{2}$	125 $\frac{1}{2}$	8.48	MEL Int Flo 3 02	2000	22	102 102 $\frac{1}{2}$
116 $\frac{1}{2}$	117 $\frac{1}{2}$	4.80	MEL Int Bank 2 $\frac{1}{2}$ 03	200	2332.50	89 $\frac{1}{2}$ 82 $\frac{1}{2}$
114 $\frac{1}{2}$	114 $\frac{1}{2}$	4.92	Prod 4 03	0.00	93 93 $\frac{1}{2}$	95 95 $\frac{1}{2}$

102 1/2	103 1/2	104 1/2	105 1/2	106 1/2	107 1/2	108 1/2	109 1/2	110 1/2	111 1/2	112 1/2	113 1/2	114 1/2	115 1/2	116 1/2	117 1/2	118 1/2	119 1/2	120 1/2	121 1/2	122 1/2	123 1/2	124 1/2	125 1/2	126 1/2	127 1/2	128 1/2	129 1/2	130 1/2	131 1/2	132 1/2	133 1/2	134 1/2	135 1/2	136 1/2	137 1/2	138 1/2	139 1/2	140 1/2	141 1/2	142 1/2	143 1/2	144 1/2	145 1/2	146 1/2	147 1/2	148 1/2	149 1/2	150 1/2	151 1/2	152 1/2	153 1/2	154 1/2	155 1/2	156 1/2	157 1/2	158 1/2	159 1/2	160 1/2	161 1/2	162 1/2	163 1/2	164 1/2	165 1/2	166 1/2	167 1/2	168 1/2	169 1/2	170 1/2	171 1/2	172 1/2	173 1/2	174 1/2	175 1/2	176 1/2	177 1/2	178 1/2	179 1/2	180 1/2	181 1/2	182 1/2	183 1/2	184 1/2	185 1/2	186 1/2	187 1/2	188 1/2	189 1/2	190 1/2	191 1/2	192 1/2	193 1/2	194 1/2	195 1/2	196 1/2	197 1/2	198 1/2	199 1/2	200 1/2	201 1/2	202 1/2	203 1/2	204 1/2	205 1/2	206 1/2	207 1/2	208 1/2	209 1/2	210 1/2	211 1/2	212 1/2	213 1/2	214 1/2	215 1/2	216 1/2	217 1/2	218 1/2	219 1/2	220 1/2	221 1/2	222 1/2	223 1/2	224 1/2	225 1/2	226 1/2	227 1/2	228 1/2	229 1/2	230 1/2	231 1/2	232 1/2	233 1/2	234 1/2	235 1/2	236 1/2	237 1/2	238 1/2	239 1/2	240 1/2	241 1/2	242 1/2	243 1/2	244 1/2	245 1/2	246 1/2	247 1/2	248 1/2	249 1/2	250 1/2	251 1/2	252 1/2	253 1/2	254 1/2	255 1/2	256 1/2	257 1/2	258 1/2	259 1/2	260 1/2	261 1/2	262 1/2	263 1/2	264 1/2	265 1/2	266 1/2	267 1/2	268 1/2	269 1/2	270 1/2	271 1/2	272 1/2	273 1/2	274 1/2	275 1/2	276 1/2	277 1/2	278 1/2	279 1/2	280 1/2	281 1/2	282 1/2	283 1/2	284 1/2	285 1/2	286 1/2	287 1/2	288 1/2	289 1/2	290 1/2	291 1/2	292 1/2	293 1/2	294 1/2	295 1/2	296 1/2	297 1/2	298 1/2	299 1/2	300 1/2	301 1/2	302 1/2	303 1/2	304 1/2	305 1/2	306 1/2	307 1/2	308 1/2	309 1/2	310 1/2	311 1/2	312 1/2	313 1/2	314 1/2	315 1/2	316 1/2	317 1/2	318 1/2	319 1/2	320 1/2	321 1/2	322 1/2	323 1/2	324 1/2	325 1/2	326 1/2	327 1/2	328 1/2	329 1/2	330 1/2	331 1/2	332 1/2	333 1/2	334 1/2	335 1/2	336 1/2	337 1/2	338 1/2	339 1/2	340 1/2	341 1/2	342 1/2	343 1/2	344 1/2	345 1/2	346 1/2	347 1/2	348 1/2	349 1/2	350 1/2	351 1/2	352 1/2	353 1/2	354 1/2	355 1/2	356 1/2	357 1/2	358 1/2	359 1/2	360 1/2	361 1/2	362 1/2	363 1/2	364 1/2	365 1/2	366 1/2	367 1/2	368 1/2	369 1/2	370 1/2	371 1/2	372 1/2	373 1/2	374 1/2	375 1/2	376 1/2	377 1/2	378 1/2	379 1/2	380 1/2	381 1/2	382 1/2	383 1/2	384 1/2	385 1/2	386 1/2	387 1/2	388 1/2	389 1/2	390 1/2	391 1/2	392 1/2	393 1/2	394 1/2	395 1/2	396 1/2	397 1/2	398 1/2	399 1/2	400 1/2	401 1/2	402 1/2	403 1/2	404 1/2	405 1/2	406 1/2	407 1/2	408 1/2	409 1/2	410 1/2	411 1/2	412 1/2	413 1/2	414 1/2	415 1/2	
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currency units. Chg. daily—Change on day.
n. Spread—Margin above bid—points offered rate. Three-month—Three-month rate for U.S. dollars.

Information current. Data supplied by International Securities Market Association.

1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971) using a Shimadzu 101-UV spectrophotometer. The concentration of chlorophylls was expressed in $\mu\text{g mL}^{-1}$ of the sample.

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COMPANIES AND FINANCE: UK

Scotia setback unsettles biotech sector

By Daniel Green

Shares in Scotia, one of the UK's largest biotechnology companies, fell by 24 per cent after the company said that one of its most promising drugs would not earn a recommendation for approval from the UK Committee on the Safety of Medicines.

The MCA's views are not binding on the government,

but are usually followed.

The drop in Scotia's share price also hurt the rest of the UK biotechnology sector. Shares in many others, including British Biotech and Celltech fell too.

The drug is Tarabatic, a treatment for the nerve damage suffered by diabetics (diabetic neuropathy).

It is one of the most important of the drugs Scotia has. Analysts at stockbroker Leh-

man Brothers had forecast sales of \$150m a year and estimated its value at about 6 per cent of the company's research and development pipeline.

The failure to win a recommendation also puts into doubt another drug, SC103, an improved version of Tarabatic in early development which Lehman estimates is worth 8 per cent of Scotia's value.

Further bad news was possible from Scotia because its cancer drug EF13 was submitted to regulators with less evidence in its favour from clinical trials than Tarabatic, according to one analyst.

But Dr David Horrobin, Scotia's chief executive, said that Tarabatic might yet win regulatory approval. He said that the MCA's decision was a narrow one

based on an inconsistency of results between different centres at which trials were conducted.

He also blamed the decision on the fact that there is no precedent for a treatment for the condition, leading to greater uncertainty among regulators.

Several other companies, including Roche of Switzerland and American Home Products, have abandoned

diabetic neuropathy drugs because of the difficulties in proving effectiveness in such a slowly-progressing disease.

Dr Horrobin said he intended to appeal to the Medicines Commission, which has the power to reverse the MCA's recommendation. The final decision is in the hands of the department of health. The shares closed down 135p at 435p.

LEX COMMENT

Scotia

Most biotechnology companies stumble at some point, only to scramble to their feet again. British Biotech and Cantab Pharmaceuticals have both bounced back from the failure of their lead product. Scotia may be different. The refusal of the UK authorities to approve its treatment for diabetic nerve damage is more serious than the potential loss of a single drug. It reinforces doubts over the group's controversial fat-like chemicals which underlie many of its other compounds. And it suggests Scotia does not have the expertise to design rigorous clinical trials.

That is why the shares fell 24 per cent yesterday.

Scotia argues that it is tackling unusual diseases with unusual technology - a combination bound to make medical regulators particularly sceptical. A big partner would help restore confidence; the group's failure to find one is puzzling.

Loyalty cards

Loyalty cards have become legion in airports and supermarkets - now they are about to take on the British high street. And it is easy to see why Shell's collective loyalty scheme has attracted big retail names.

Airline loyalty may have been won by rewarding the individual for spending his company's money.

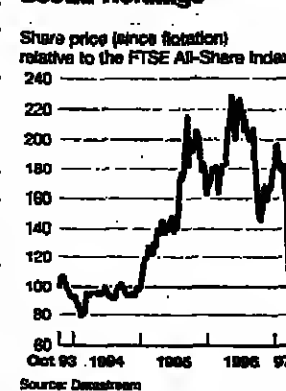
But the British supermarkets have shown that the consumer's own spending can be bought for as little as a penny for every pound.

Obviously, the risk is that other retail groups follow suit and everyone just throws away some profit margin.

Given the small number of relatively homogeneous petrol retailers, supermarket groups and banks, there could easily be other alliances. So the consumer could eventually be rewarded for loyalty to most of the high street with just a few cards.

But as Tesco showed with its Clubcard, there is a definite advantage to being first.

Scotia Holdings



Zeneca ready for investment



Sir David Barnes will spend more

By Daniel Green

Zeneca, the UK's third biggest pharmaceuticals company, yesterday warned that profit growth would be held back in the near term by higher capital investment and the cost of launching new drugs.

Although 1996 profits were in line with market expectations, the company cautioned that it had abandoned one of the drugs it has been developing because of side-effects.

Some analysts also warned that Zeneca was vulnerable to higher strength, and its pipeline of drugs did not insure it of a series of new launches next decade.

Zeneca's pre-tax profit before exceptional items rose

15 per cent to £1.011bn (£1.64bn) from £878m. Sales rose 9 per cent to £5.36bn with earnings per share, before exceptional items, up 14 per cent to 70.6p.

Mr Steve Pigg, pharmaceuticals analyst at BZW, said the company had more of its costs in the UK than rivals such as SmithKline Beecham and Glaxo Wellcome and could suffer from a strong sterling.

Mr Kevin Scotcher, his counterpart at NatWest Markets, said the slowdown in the rate of new product launches likely early next decade, exacerbated by the dropping of ZD 0670 for fungal infections, "puts the company in the position where it has to acquire new products".

Glaxo, Zeneca set for battle

The battle for one of the world's fastest-growing drugs markets took off yesterday as Glaxo Wellcome, the UK's largest drugs company, and Zeneca, the third largest, both announced regulatory approvals for new migraine drugs, writes Daniel Green.

Until now, Glaxo's Imigran has had a virtual monopoly of the market. It had sales of £399m (£578m) last year, just five years after its launch.

Now Glaxo's Narazig has won approval from the Swedish health authorities while Zeneca's Zomig has approval in the UK.

Both companies refuse to reveal any plans for their products, now that such information is commercially sensitive. Areas likely to be scrutinised by doctors and stock market analysts alike include launch dates, submission to other regulators, and details of the drugs' labelling - especially lists of side-effects and whether or not the drugs should be prescribed only after any other

natives. Mr Ian Smith, pharmaceuticals analyst at Lehman Brothers, is forecasting \$500m annual sales of Narazig by 2000. By then, Imigran sales should be £1.5bn.

Zomig's sales should reach \$350m in the same year, even though it may prove to have fewer side-effects than its rivals, said Mr Smith. The difference is that Glaxo's sales forces already have a grip on the migraine market.

Both drugs are likely to meet further competition over the next few years. Companies working on new migraine medicines include some of the biggest in the industry, such as Pfizer, Bristol-Myers Squibb and Johnson & Johnson of the US, and the UK's SmithKline Beecham.

The two companies remain linked in the migraine market in that Zomig is licensed from Glaxo. The US Federal Trade Commission forced the out-licensing of Zomig when Glaxo bought Wellcome in 1995.

'Blockbuster' phone from Amstrad

By Alan Gane

Amstrad, the personal computer and communications group, yesterday announced the first handheld mobile phone capable of being used in Europe and the US without modification.

Mr Alan Sugar, Amstrad's chairman, described it as the first "blockbuster" product to emerge since the group was restructured last year. Developed and marketed by Danell, Amstrad's Danish subsidiary, it is expected to be available towards the end of the year.

Mr Sugar said it would not cost more in the shops than current GSM phones, which are heavily subsidised by manufacturers and service providers. GSM is the European-developed standard for digital mobile phones.

Currently European travellers are forced to use different phones in each continent.

GSM has been adopted as the principal digital mobile standard in Europe, the Middle East, Australasia and Asia. Most networks in the US use the older analogue technology.

All-round growth lifts BBA to £142m

By Tim Burt

BBA Group, the diversified engineering company, yesterday reported a 19 per cent rise in underlying profits following strong contributions by its motor components, aviation services and non-woven textile operations.

Pre-tax profits last year rose from £118.5m to £141.1m (£239m) before exceptional items, while sales on continuing operations reached £1.08bn (£984.6m).

After exceptional profits more than doubled to £142m (£66.8m) - largely distorted by £51.7m of one-off charges in 1995.

Margins at the operating level rose from 11.8 to 13.5 per cent.

Mr Roberto Quarta, chief executive, said the figures reflected improvements following BBA's hefty restructuring in the mid-1990s.

He said the company - which spent £278m on acquisitions last year and contemplated a hostile bid for Lucas Industries - would continue to seek acquisitions, but would not sacrifice margins for the sake of "buying-in" sales.

Instead, it would concentrate on integrating new subsidiaries - particularly in textiles and aviation services - and using technology and new products to capture market share.

Nevertheless, Mr Roy McGlone, finance director, said strong cost generation meant it could spend up to £200m on "suitable bolt-on opportunities".

BBA underlined that strategy yesterday by announcing plans to spend up to £12m on Korma, the privately-owned Italian manufacturer of super-absorbent materials. It also unveiled plans for a friction materials joint venture in China, aimed at European car manufacturers in that market.

Improved contributions from friction materials helped lift underlying profits in the transportation division from £50m to £58.1m last year.

In the industrial division, dominated by non-woven textiles, profits reached £88.9m (£66m) - mainly because of gains at Fibervel, the manufacturer of hygiene textiles acquired in 1995.

Earnings per share rose from 16.5p to 20.8p before exceptional items, and from 2.4p to 20.7p afterwards. A proposed final dividend of 4.8p (4.2p) lifts the total to 7p (6p).

SLIGOS

Paris, France, 11 March 1997 - Sligos and Axime, who are merging to form a leading European information technology (IT) services company, have released financial results for the period ending 31 December 1996.

SLIGOS ANNUAL FINANCIAL RESULTS

The Board of Directors of Sligos met under the chairmanship of Bernard Bourigeaud and closed the accounts for the year ended 31 December 1996. Financial statements for the year were prepared in accordance with IASC standards, which show net income of consolidated companies before goodwill and merger costs up 86% to FRF220 million. The table below restates the main results for the year according to the Axime French GAAPs that will be used to prepare the new Group's financial statements.

During the year, sales declined by 7.6% due to the disposal of the CMG PC retailing business. At constant scope of consolidation and exchange rates, sales rose by 4.5%. Sales in France declined by 4% as certain banks insourced their card processing operations. Sales outside France increased by 20.5%.

Operating income amounted to FRF 177 million, yielding an operating margin of 4.4%. Income was down FRF 30 million from the previous year due to the poor performance by Solaic and the deconsolidation of CMG, which contributed income in 1995.

In France, lower overheads and improved margins in professional services and systems integration offset a decline in income from the bankcard processing business. In addition, activities outside France improved operating income for the year.

Pre-tax income before exceptional items declined slightly by 2.6% to FRF 184 million, for a pre-tax margin of 4.6%.

Net income before goodwill and merger

In millions of French francs	12 months ended 31 December 1996	12 months ended 31 December 1995	Change
Sales	3,306	3,416	-7.6%
Sales at constant scope of consolidation	3,369	3,788	-4.5%
Operating income	177	207	-14.4%
Pre-tax income before exceptional items	184	189	-2.6%
Net income before goodwill and merger costs	142	97	149%
Net margin before goodwill and merger costs	4.3%	2.2%	-
Merger costs	(20)	-	-
Net income	122	60	-
Shareholders' equity	1,333	1,440	-
Net cash	638	50	-
Cash flow	736	253	-

costs, which includes capital gains on the disposal of CMG (in January) and Solaic (in December), rose by 149% to FRF 242 million.

Reserves for merger costs amounted to FRF 370 million, covering the expense of reorganising the new Sligos-Axime Group into four operating divisions and of optimising

production centers and office premises.

The amount also includes the business appraisal value of certain assets within the framework of the new Group's strategy.

Sligos enjoys a healthy balance sheet, with shareholders' equity of FRF 1.3 billion and net cash of FRF 638 million.

AXIME INTERIM FINANCIAL RESULTS

The Supervisory Board of Axime met under the chairmanship of Henri Pascaud and reviewed the financial statements for the six months ended 31 December 1996, as approved by the Executive Board under the chairmanship of Bernard Bourigeaud.

Sales rose by 10.7% during the first six months of the 1996/97 financial year. Restated for the disposal of the professional services business on 4 December 1996, sales increased by a comparable 14.6% over the period. Sales growth was strong in all of the processing activities, both those concerning new payment media, such as private label cards and loyalty cards, and those involved in the multimedia and outsourcing division, particularly following the implementation of the SBF co-sourcing partnership. The systems integration business remained stable over the period, while direct marketing sales showed a decline.

Interim operating income rose by 7%, despite the cost of developing new processing services. Pre-tax income before exceptional items rose by 11%, in line with sales growth.

Net income before goodwill and merger costs increased by 49% and includes the capital gain on the disposal of the professional services business to Logica on 4 December 1996.

Reserves for costs of implementing the new operating organisation amounted to FRF 32 million.

In millions of French francs	6 months ended 31 December 1996	6 months ended 31 December 1995	Change
Sales	1,654	1,042	10.7%
Sales at constant scope of consolidation	1,654	1,007	14.6%
Operating income	107	100	7.0%
Pre-tax income before exceptional items	107	96	11.0%
Net income before goodwill and merger costs	157	88	49.0%
Net margin before goodwill and merger costs	9.5%	8.4%	-
Merger costs	(30)	-	-
Net income	127	68	-3.0%
Shareholders' equity	724	583	-
Net cash	225	22	-
Cash flow	295	84	-

The balance sheet was strengthened and ended the period with shareholder's equity of FRF 724 million and net cash of FRF 225 million.

On 7 January 1997, Axime acquired the European outsourcing activities of ADP GSI, at a cost of FRF 190 million. This business had 1996

sales of approximately FRF 600 million and 680 employees.

Its acquisition has strengthened Sligos-Axime's Outsourcing Division and made it a European market leader, with operations primarily in France, Germany and the United Kingdom.

1997 OUTLOOK FOR THE NEW GROUP

The new Group has fixed a revenue objective of FRF 6.3 billion for the 1997 calendar year. This compares with proforma twelve-month 1996 sales of FRF 6.2 billion (FRF 5.3 billion excluding Solaic and Axime Iogenerie). The Group's objective takes account of among other factors the following recent acquisitions: the GSI outsourcing business, Phonopermanence and Penny Dialogmarketing call centres and Q-BOS bankcard processing business in Germany. These businesses generated revenue in 1996 of approximately FRF 730 million.

During the year, the new Group will focus on setting up the new operational and legal organisation, redeploying technical skills, corporate capabilities and human resources, implementing cost optimisation plans and introducing an aggressive sales and marketing strategy.

Operating income is expected to improve from the proforma full-year 1996 Sligos-Axime figure. Subject to shareholders agreement in extraordinary meeting the financial year-end on the new Group will be changed to September 30.

Following the public offer to exchange shares, proforma net debt as of 1 January 1997 was approximately FRF 384 million, or around 50% of shareholders' equity.

The new Group will enjoy strong cash flow, a vast wealth of technical and functional skills and a significant European presence. Its unique position in such fields as the Internet/Intranet, the single European currency and the year 2000 changeover, as well as its leadership in transaction processing, all provide major opportunities for development in the years to come.

COMMODITIES AND AGRICULTURE

Malaysia in Doubts over Chinese copper stock levels

warning on rubber price

By James Kynge
in Kuala Lumpur

Malaysia yesterday warned rubber consumers to accept higher prices or risk a sharp decline in production caused by planters switching to more profitable alternatives, such as oil palms.

Mr Lim Keng Yik, Malaysia's primary industries minister, said the result of such a scenario would be that rubber prices would spiral higher.

"If there is no fair and remunerative price for rubber, then producers will be forced to cut back on production and rubber prices will spiral like nobody's business," Mr Lim said.

He was speaking at the launch of the third International Natural Rubber Agreement, the global pact which controls buffer stocks and seeks to influence prices for the next four years.

Discussions on prices are expected to be high on the agenda this week as representatives of producing and consuming countries meet in Kuala Lumpur.

Mr Lim said that a rubber price of somewhere between M44 and M46 a kilogramme would probably be sufficient to avert a sharp fall in rubber production. The price is currently just over M43 a kilogramme, he said.

At this price, many planters in Malaysia, the third largest producer, behind Thailand and Indonesia, were not bothering to tap their trees.

The result, Mr Lim said, was that Malaysia produced only about 1m tonnes of rubber annually. If all trees were tapped, it could produce 1.5m tonnes.

The shift to planting oil palms is already well estab-

lished in Malaysia, where wage increases have eroded margins.

Mr Lim said, however, that Indonesia could follow suit if the rubber price remained low.

In Thailand, which does not have suitable climatic conditions for oil palms, farmers could also switch to more lucrative operations.

Observers said that although Mr Lim's remarks appeared to be aimed at boosting prices ahead of the discussions under INRA this week, the minister did have a point.

The economies of Malaysia, Indonesia and Thailand are restructuring with such rapidity that rubber planting runs the risk of becoming regarded as a sunset industry.

Some planters in Malaysia are starting to regard the timber from rubber trees as more valuable than the rubber.

China and Italy, both consumer countries, are the only two nations which have yet to ratify the INRA 3.

A Chinese official said his country, which also supported the appeal for higher rubber prices put forward by Mr Lim, would become a member this week.

He added that the delay had been due to technical issues.

It was unclear whether Italy would join soon, officials said.

INRA 3, which succeeds previous generation agreements which have held sway over the last 16 years, is also expected to formalise the appointment of Dr Mohd Zuber Noordin, Malaysia's deputy primary industries minister, as executive director. The previous two executive directors have been Indonesian and Thai.

Boyant copper prices have been kept aloft in recent weeks by speculation that once the lunar new year festivities were over and paramount leader Deng Xiaoping's funeral rites were taken care of, China would return to the copper markets.

The signs this week, however, are that the Chinese are in no hurry to buy.

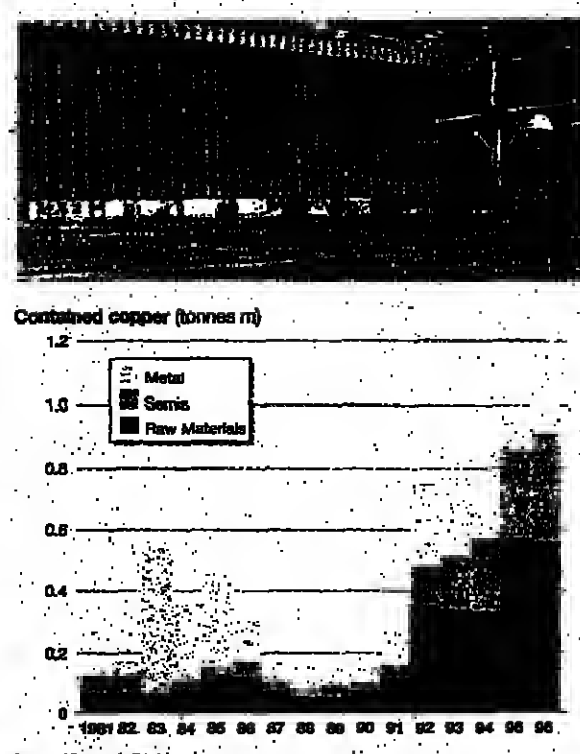
Government officials in the industry privately estimate that China's copper stocks at between 200,000 and 300,000 tonnes, compared with analysts' forecasts of just over 100,000 tonnes.

The exact figure of stocks held by the Strategic Reserve Bank, the government agency that manages the national stockpile, is a state secret and industry officials cannot give an authoritative figure.

However, one Chinese official said "between 200,000 and 300,000 tonnes seems like a proper amount, because the SRB has bought heavily last year to cover urgent copper needs and meet military demand".

Such a substantial stock would considerably ease the pressure on China, the world's biggest importer of copper, to buy on international markets. It also suggests the replenishment of the SRB stockpile, which supported market prices in the fourth quarter of last year, has come to a temporary end.

Chinese copper imports



Source: Malaysia Bank

Official figures released this week show China's demand for copper is expected to reach 1.2m tonnes this year, 900,000 tonnes of which will be met by domestic production, leaving 300,000 tonnes to be bought on international markets.

On Monday, Mr Chen Shenglian, vice-president of China Non-ferrous Metals

Industry, the leading government company operating in the metals markets, said that whereas China had previously bought copper from the international market as and when the need arose, "CNCN must change its trading methods... now we must think long-term".

The comment has reinforced suspicions among Shanghai traders that China has little intention of buying while prices are so high and that London Metal Exchange copper is overvalued.

"We had been expecting the Chinese to buy after the Chinese new year but they can't afford to or don't want to at these prices. And without the Chinese it is hard to see how the current LME

Bigger role than suspected

China's role in the international copper market in recent years has been much bigger than suspected, says Mr Jim Lennon, analyst at Macquarie, the Australian banking group, Kenneth Goding writes.

He says that since 1992 there has been rapid growth in Chinese imports of copper in all forms - raw materials, concentrate, scrap and blister - and estimates that last year imports of copper products exceeded 1m tonnes for the first time compared with only 100,000 tonnes in 1990.

Mr Lennon suggests in a paper prepared for American Metal Market's Copper Forum that China's demand for copper could show sustainable annual growth of 12% per cent in 1996 to 2000 this would amount to an extra 443,000 tonnes.

Domestic sources could provide only about 100,000

to 150,000 tonnes of this and the rest would have to be imported. These imports would be mostly raw materials.

"While China is likely to remain a highly erratic and unpredictable player in world copper markets, it is also likely to remain a long-term bullish influence," he says.

Mr Lennon adds that, because copper imports are so important to China, the metal is treated as strategic material and stocks are administered by the Ministry of Domestic Trade via the State Reserves Bureau.

"The government tends to act as a price stabiliser in the market, buying when copper prices are low and selling when prices are high. So the role of the government means that, paradoxically, China increasingly will be viewed as a stabilising force on prices, not a destabilising force."

prices can be maintained," one foreign metals trader in Shanghai said yesterday.

Although the contract prices suggest that copper is cheaper in London than in Shanghai, LME copper is trading at a considerable premium in real terms to China's domestic red metal. Once shipping and other costs as well as tax and

its traded metals, with the exception of nickel, a general downward trend in all but the LME's copper stocks this year has helped to lift prices.

Dealers said investment funds and producers sold into the rally. Gold closed in London at \$352 an ounce, \$1.75 ahead of Monday's close but down from the day's peak of \$353.55.

The London Metal Exchange yesterday reported another fall in stocks of all

Crude oil cargoes struggle to find buyers

MARKETS REPORT

By Robert Corzine and Kenneth Goding

Oil prices continued their slide yesterday as crude cargoes struggled to find buyers. The price of Brent Blend, the international benchmark, was down 32 cents a barrel to \$18.96 in late trading on London's International Petroleum Exchange.

The fall followed a 58 cent drop on Monday. The depth of the slide is expected to be influenced by figures due late last night on US stocks of crude oil and refined products.

The inability of the market to absorb current oil supplies is due to large-scale refinery maintenance in the US and Europe, the mild weather, and rising supplies. In addition poor refining margins have caused some

refiners to cut production runs in order to avoid or minimise losses.

Refined products such as gas oil also weakened. The March gas oil contract on the IPE was down \$3.75 a tonne at \$163.25.

Palladium jumped by more than \$6 to \$158 an ounce. Traders suggested a US bank had bought a big tonnage of the metal, essential in some industrial and car anti-pollution catalysts.

Russia, the biggest supplier of the metal, still has not signed an annual contract with Japan, the biggest user, and there are threats of strike action at the Norilsk combine, which produces most of Russia's platinum group metals.

"Palladium had a spectacular day," said Mr Andy Smith, analyst at Union Bank of Switzerland. "This provided a prop for precious metals markets."

Gold started strongly in London yesterday following a rise in New York on Monday, but the price fell back in late trading.

Dealers said investment funds and producers sold into the rally. Gold closed in London at \$352 an ounce, \$1.75 ahead of Monday's close but down from the day's peak of \$353.55.

The London Metal Exchange yesterday reported another fall in stocks of all

its traded metals, with the exception of nickel, a general downward trend in all but the LME's copper stocks this year has helped to lift prices.

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COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

Close 1641-42 1672.5-73

Previous 1630.5-1.5 1662-3

High/Low 1671/1663

AM Official 1634-35 1665.5-6

Karb close 1677-78

Open Int. 268.57

Total daily turnover 80,000

ALUMINIUM ALLOY (\$ per tonne)

Close 1641-42 1672.5-73

Previous 1523-6 1547-8

High/Low 1620.5-1.5 1647

AM Official 1530-32 1553-55

Karb close 1553-55

Open Int. 8,320

Total daily turnover 727

LEAD (\$ per tonne)

Close 671-1.5

Previous 674-6

High/Low 675-6

AM Official 668-6

Karb close 670-1

Open Int. 40,076

Total daily turnover 6,570

NICKEL (\$ per tonne)

Close 7875-65 7980-90

Previous 7898-9005 8100-05

High/Low 7870-75 8000/9000

AM Official 7870-75 8020-30

Karb close 8020-30

Open Int. 51,981

Total daily turnover 16,288

TIN (\$ per tonne)

Close 5960-70 5970-75

Previous 5970-80 6000/5980

High/Low 5960-70 5970-80

AM Official 5960-70 5970-80

Karb close 5970-80

Open Int. 16,128

Total daily turnover 11,585

ZINC, special high grade (\$ per tonne)

Close 1297.5-30.5 1293-54

Previous 1294.5-4.5 1294-5

High/Low 1294.5-4.5 1294-5

AM Official 1294.5-4.5 1294-5

Karb close 1294-5

Open Int. 67,458

Total daily turnover 26,402

COPPER, grade A (\$ per tonne)

Close 2450-12 2448-47

Previous 2456-9 2452-3

High/Low 2450-12 2448-47

AM Official 2450-12 2448-47

Karb close 2448-47

Open Int. 142,042

Total daily turnover 44,618

LME AM Official 2/5 rate: 1.0052

LME Closing 2/5 rate: 1.0053

HIGH GRADE COPPER (COMEX)

Sett. Day's price change High Low Vol Int

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 364.7 +2.0 - - - -

Apr 365.1 +2.0 365.1 27,076 86,477

May 367.3 +2.1 367.3 3,947 27,994

Jun 369.8 +2.1 369.8 36,83 9,984

Oct 362.0 +2.1 369.8 36,83 7,545

Nov 364.5 +2.1 365.3 36,83 7,545

Total 32,445 171,917

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 396.5 +3.1 396.0 394.5 1,189 16,438

Apr 398.9 +3.0 391.0 396.0 146 3,740

May 391.2 +3.0 392.0 390.0 2 2,083

Jun 393.3 +3.0 394.5 394.5 1 1,123

Total 1,336 24,384

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 139.25 +6.00 131.25 132.25 21 161

Apr 161.25 +6.00 151.25 152.25 498 9,958

May 162.25 +6.00 151.25 152.25 1 791

Jun 163.25 +6.00 151.25 152.25 1 791

Total 617 10,699

SILVER COMEX (5,000 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol Int

Mar 534.7 +1.1 530.0 521.0 159 845

Apr 535.5 +1.0 530.0 521.0 11,688 60,626

May 533.4 +1.0 530.0 529.0 93 12,600

Jun 530.5 +1.0 530.5 529.0 36 3,394

Oct 548.0 +1.1 545.5 543.0 178 5,517

Nov 549.0 +1.2 - - - -

Total 12,608 66,232

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Sett. Day's price change High Low Vol Int

Mar 20.25 -0.21 20.04 20.14 46,648 74,957

Apr 20.38 -0.17 20.05 20.28 36,741 63,172

May 20.38 -0.17 20.05 20.28 36,741 63,172

Jun 20.38 -0.17 20.05 20.28 36,741 63,172

Oct 20.38 -0.17 20.05 20.28 36,741 63,172

Nov 20.38 -0.17 20.05 20.28 36,741 63,172

Total 174,395 416,133

CRUDE OIL IPE (\$/barrel)

Sett. Day's price change High Low Vol Int

Mar 19.08 -0.18 18.28 18.02 20,048 27,804

Apr 19.04 -0.11 18.21 18.05 15,437 67,108

May 19.02 -0.05 18.20 18.02 2,858 23,977

Jun 18.92 -0.05 18.20 18.02 2,858 23,977

Oct 18.94 -0.01 18.20 18.02 2,858 23,977

Nov 18.94 -0.01 18.20 18.02 2,858 23,977

Total 52,728 120,841

HEATING OIL NYMEX (42,000 US gal; \$/US gal)

Sett. Day's price change High Low Vol Int

Mar 32.25 -0.23 32.00 32.10 12,348 16,115

Apr 32.30 -0.23 32.00 32.10 12,348 16,115

May 32.30 -0.23 32.00 32.10 12,348 16,115

Jun 32.30 -0.23 32.00 32.10 12,348 16,115

Oct 32.30 -0.23 32.00 32.10 12,348 16,115

Nov 32.30 -0.23 32.00 32.10 12,348 16,115

Total 52,728 120,841

NATURAL GAS NYMEX (10,000 mcf; \$/mcf)

Sett. Day's price change High Low Vol Int

GRAINS AND OIL SEEDS

WHEAT LIFE (\$/cwt tonne)

Sett. Day's price change High Low Vol Int

CURRENCIES AND MONEY

Traders seek new forex trends

MARKETS REPORT

By Simon Kuper

Sterling rallied yesterday after plummeting more than 4 pence in two days. But the market was mainly quiet as traders searched for new trends on leading currencies.

The pound gained 0.9 pence against the D-Mark to close in London at DM12.737.

The dollar seceded against the yen, falling as Japanese machinery orders for January emerged strong but rising on reports of a nuclear accident in Japan.

Traders said there was buying of the dollar on dips, and the currency found support against the D-Mark.

The dollar also benefited as the yield gap between US and German ten-year bonds widened to above 100 basis points. The US currency ended the day fractionally firmer against both the D-Mark and the yen, at DM1.705 and ¥121.9. "The

markets are consolidating," said Mr Joe Prendergast, foreign exchange strategist at Merrill Lynch in London. He said the German and Japanese economic recoveries were now clearly underway but still fragile.

French and German officials insisted that European monetary union would happen on time, but traders shrugged off the comments. The officials were responding to market talk of recent weeks that Emu will be delayed. Several of the officials said that countries could deviate slightly from the fiscal criteria laid down for Emu qualification. Mr Guntram Palm, a Bundesbank council member, called speculation about an Emu delay "totally misplaced".

It is rare to see the Bank of France selling francs. It did so yesterday when the franc rose against the D-Mark to FF3.372, near its ceiling of virtually all of 1996. The franc ended the day at FF3.372 against the D-Mark, up from FF3.373 on Monday. Foreign exchange strategists predict that the currency will probe higher.

The main spur for the franc's rise is that it had fallen to the bottom of the European monetary system grid. At one point last week it stood 12 pence below its central rate against the British pound, the grid's strongest currency.

That prompted franc buying. Most people in the mar-

ket still expect Emu to happen on time. They expect the franc to be part of Emu's first wave, as France is more likely than Germany to meet the qualification criteria. French economic data have improved of late, and 4CAST, the economic consultancy, points out that French stocks have surged this year with many foreign buyers.



Franc still expected to happen on time. They expect the franc to be part of Emu's first wave, as France is more likely than Germany to meet the qualification criteria.

"If you think Emu will go ahead, you want to buy the weakest of the core currencies," one strategist said yesterday. "And the French franc has liquidity."

Since Friday hedge funds and investment banks have been buying francs for D-Marks, lira and Irish punts. The strategist predicts that the franc will rise to nearer its central rate within the European exchange rate mechanism of FF3.3688 against the D-Mark. That level is the ultimate target for the present buyers of the franc, although the first key tests are at FF3.370 and FF3.3680 to the D-Mark.

For the Bank of France

■ OTHER CURRENCIES

Mar 11 £ \$

Cash 1.48727 - 1.48727 20.100 - 20.100

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WORLD INTEREST RATES

MONEY RATES

March 11	Over night	One month	Three months	Six months	One year	Long term	De. rate	Repo rate
Belgium	5%	5%	5%	5%	5%	6.00	2.50	-
France	5%	5%	5%	5%	5%	3.10	-	4.75
Germany	5%	5%	5%	5%	5%	2.50	2.50	4.00
Italy	5%	5%	5%	5%	5%	6.25	6.75	7.50
Netherlands	5%	5%	5%	5%	5%	3.00	3.00	3.00
Switzerland	5%	5%	5%	5%	5%	1.00	-	1.00
US	5%	5%	5%	5%	5%	5.00	-	5.00
Japan	5%	5%	5%	5%	5%	5.50	-	5.50

■ 5 YEAR HY London

Interbank Bid

US Dollar Bid

ECU Linked Bid

5 YEAR Interbank Bid rates are offered rates for \$10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Citicorp, Deutsche Bank, and National Westminster.

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FT MANAGED FUNDS SERVICE


● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]


4 pm close March 11

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BE OUR GUEST.



When you stay with us
in **LIMASSOL (Cyprus)**
stay in touch -
with your complimentary copy of the



FINANCIAL TIMES

100

Dow eases in range trading

AMERICAS

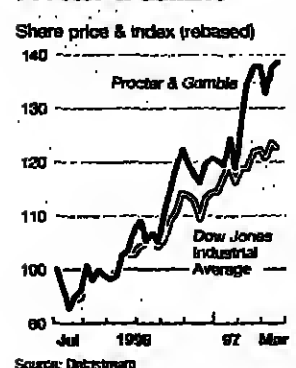
US shares were mostly flat by midsession as shares settled into a range after Monday's strong gains, writes Lisa Branstetter in New York.

At 1pm the Dow Jones Industrial Average was off 11.16 at 7,068.23, while the Standard & Poor's 500 had lost 2.37 at 911.38. NYSE volume was 285m shares.

The bond market exerted some pressure on shares as the benchmark 30-year Treasury fell on continued nervousness that the Federal

Procter & Gamble

Share price & index (rebased)



Reserve might raise interest rates at the March 25 Open Market Committee meeting. Procter & Gamble continued to lend support to the Dow with a gain of \$1 at \$125. Shares in the consumer goods company have performed particularly well in recent weeks, adding more than \$10 since the end of January.

Boeing was another rising share in the Dow as it gained \$2 at \$107.70 on reports that it was close to an agreement to supply all future aircraft to Delta Air Lines, the third largest US carrier.

Falling shares in the Dow included Merck, off \$1 at \$93.3, Caterpillar, \$1.11 weaker at \$90.7, and Texaco, which lost \$2 at \$102.2.

K-III Communications, the US magazine publishing company, shed \$2 at 3 per

cent to \$12.7, on news that it planned to issue new shares and sell four of its businesses to focus on core activities.

Nike continued its recent slide with a loss of \$4 at \$36. The athletic shoe and clothing company has lost nearly \$10 since February 25.

Technology shares were also flat with the Nasdaq composite, weighted toward the sector, off 1.55 at 1,321.07. The Pacific Stock Exchange technology index added 0.2 per cent.

The largest companies on the Nasdaq turned in a mixed performance. Intel was up \$4 at \$145.5, Microsoft gained \$4 at \$100.7, and Oracle added \$1 at \$36. Meanwhile Cisco Systems slipped \$1 at \$53.2 after an analyst at Hambrecht & Quist downgraded his earnings estimates on the computer networking giant.

TORONTO gave up initial gains to close lower after a morning session of mixed trading. Resource stocks edged higher, but financials were visibly weak. At noon, the 300 composite index was off 15.67 at 6,317.30.

Profit-taking cut a swathe through the banking sector, sending leading stocks spinning in all directions. Royal Bank of Canada lost 55 cents at \$28.1, and Toronto-Dominion Bank retreated 65 cents to C\$38.80.

Barrie Gold added 40 cents to C\$36.60 and Placer Dome put on 30 cents to C\$28.30. Suncor, the oil group, jumped C\$1.35 to C\$62.60 after Goldman Sachs put the shares on its recommended list.

Canadian Occidental rose 40 cents to C\$33.10 after it said that its wholly-owned subsidiary, CXY Energy of Dallas, Texas, was high bidder on 25 offshore blocks in the recent United States central Gulf of Mexico lease sale held last week. Twenty-two of the blocks, said the company, were located on the outer continental shelf at depths of less than 500ft.

EUROPE

Wall Street's mood swing from overnight ebullence to mid-morning hesitation took the steam out of most bourses. FRANKFURT stayed in record high ground, but came back from a peak of 3,475.18 as the Dax index closed just 1.18 stronger at 3,430.95, in turnover of DM17.4bn.

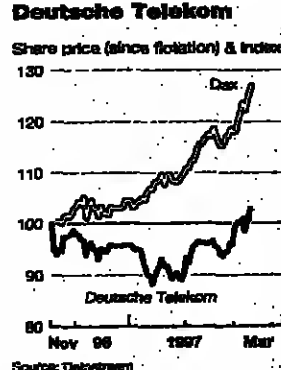
Mr Jens Wieweking, at Prof Dr Dörfel & Partners in Düsseldorf, said that the German market could be heading into a correction. It had seen a string of results, and in most cases yesterday the reaction was strongly on the downside.

Hoechst, Bayer and BASF - market stars in 1996 - fell by 5 per cent (DM3.95 to DM75.20), 2.9 and 1.8 per cent after Hoechst came in with a fourth-quarter loss and a lower-than-expected dividend. Higher earnings at Adidas left the sportswear group DM6.20 or 3.7 per cent lower at DM163.30, and SKW Trostberg, the specialty chemicals company, fell DM1.39 to DM56.81 on a higher dividend.

Sentiment, too, seemed to be damaged by social ten-

Deutsche Telekom

Share price (since flotation) & index



sions for the first time this year, said Mr Wieweking. Protests from construction workers and miners were making an impact.

The day's most notable winners were special situations. Deutsche Telekom, an underperformer since it came to the market last November, forecast doubled profits and rose 87 pf to DM34.83. Depla, the leading mortgage bank, accused UBS of stockpiling, continued to assert this in the face of denials from the Swiss bank, and rose DM6.50 or 8.1 per cent to DM87.

AMSTERDAM saw good demand for international deals also generated buying interest. It added up to another positive session with the AEX index closing up 4.47 at a record 774.43.

Bolsawessanen rose F11.10 or 3 per cent to F137.60 in 3m shares after the company mooted the idea of a sizeable takeover, possibly in the US. News that its 35 per cent stake in Campari of Italy could be put up for sale sparked speculation that Bolsawessanen was planning a F11bn deal, equal to about a third of the food and drinks group's stock market value.

The takeover buzz was also supported by news of merger talks between two construction companies, Volker Stevin and Kendor Wessels. Stevin jumped F13.80 to F130.2 while Wessels added F1.40 at F188.10.

The firmer dollar lifted Philips and Unilever. Down against the trend on Monday, the stocks bounced F12.40 to F191.10 and F18.00 to F183.20 respectively.

KPN PTT shed 80 cents to F169.40 after results in line with broker expectations.

FTSE Actuaries Share Indices

Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4
FTSE 100	2238.77	2238.77	2238.10	2238.10	2238.10	2238.10	2238.10
FTSE 250	2271.13	2271.13	2271.13	2271.13	2271.13	2271.13	2271.13
FTSE 100	2238.77	2238.77	2238.10	2238.10	2238.10	2238.10	2238.10
FTSE 250	2271.13	2271.13	2271.13	2271.13	2271.13	2271.13	2271.13

Source: Datastream

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	BESF Fin	0.90	12	1299	34	33%							
	Ford-Lin		2036	30	28%	28	-2						
	Precision	13	236	15	12%	14%	-1	Miltek	252599	45	42%	43%	+2
	Reg-Phis		2302	20%	12%	01%	+1	Nicom	29	3815	17%	16%	-2
	Reignite		72	74	14%	1%		Norac Corp	4199	74	83%	84%	+1
	Revco Ind		1157	39	35%	25%	-2	Yellow	12	168	18%	19%	+2
	Sawtooth		24	1164	24%	23%	-2	Tech Touch	26	38	94%	0	94%
	Socotrol		598	64	12%	6%		Zenith	1.26	18	128%	123%+25%	+3

EASDAQ

regulated independent pan European Stock Market focused on high growth companies with international assets of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Ltd prices of Stocks and Bonds from across Europe.

Mid price	Change Volume on day	High	Low	Company	Mid price	Change Volume on day	High	Low
US\$9.325	0	8.95	8	Ingenico	US\$12.375	4960	12.75	10.5
US\$10.675	11166	11.375	10.25	Imperial Int'l	LISB	0	11.75	0
US\$21.375	0	21	22.75	Pfizer	US\$8.375	0	6.25	4.75
US\$12.25	2160	12.5	12					

EASDAQ									
<p>regulated companies on European Stock Market focused on high growth companies with international sales of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ is up of Brokers and Banks as across Europe.</p>									
last price	Change Volume	High	Low	Company	last price	Change Volume	High	Low	
	on day					on day			
US\$12.125	0	665	0	Intermagica	US\$12.375	4500	12.5	10.5	
US\$14.075	1166	11.975	10.25	Microware International	US\$9	0	11.975	0	
US\$21.375	0	28	22.75	PiPich	US\$8.375	0	6.25	4.75	
US\$12.125	2100	12.5	12						